

Montana State Library



3 0864 1006 9800 3



How To Use Your Minute Book

TO OPEN

Pull out locking bar to disengage posts.
Insert or remove sheets as necessary.

TO CLOSE

Align sheets, lift cover to engage posts, close book
and push in locking bar.

TO PERMANENTLY SEAL

When your record is complete, your NATIONAL
Minute Book may be permanently sealed. To do
this, drive down the prongs marked "X" on the
inside front and back covers, with a nail and hammer.

An NBB product

National Blank Book Company Holyoke, Massachusetts



Made in U.S.A.

EXECUTIVE SECRETARY'S REPORT

APRIL 6, 1981

The legislature has dominated my time during the last three months. There were 12 bills introduced that directly effected the Teachers' Retirement System and I had to appear to testify on each measure before the appropriate committee. Four bills were killed and at this writing the Governor has signed three bills and it appears that the other five will go through the legislative process and become law. Most of our bills are heard in the House and Senate State Administration Committees, but one bill was referred to House Education and the cost-of-living bill and our budget are heard by the House Appropriations and Senate Finance and Claims Committees. The cost-of-living bill had to be the biggest disappointment particularly after working with a interim legislative committee the past two years.

Mary Andridge spent considerable time in preparing the list of names of those inactive members with account balances. The names are not on our membership system by location, therefore, each name had to be looked up in that individual's personal file. For this reason, there was some delay in getting the names to those Board member's requesting the same, but from the feedback we are getting it appears we will make significant progress in reducing the names and balances of these inactive accounts.

We are staying current in the day-to-day operations of the System. The study of our new computer system is still in limbo, however, the legislature did grant us \$138,600 to complete the study. We estimate that it will probably take an additional \$30,000 to \$40,000 to implement the new program. This would include testing of the programs and the new hardware and software required.

IBM forced us to buy our floppy disc by raising the monthly lease price to more than it would have cost us to buy it outright.

We have had two personnel changes since the last meeting. Jacque Williams, accounting clerk who processed our monthly reports and related contributions from employers resigned to move to Great Falls with her husband. Mary Beth Waples, general office clerk was promoted to the accounting clerk's position and we replaced Mrs. Waples with Lori Moody.

TEACHERS' RETIREMENT BOARD MEETING

APRIL 14, 1981

The meeting was called to order at 9:30 A.M. on April 14, 1981, by Chairman Burke. Those present were:

James. E. Burke, Chairman
LeRoy A. Corbin
Dr. George Gloege
Dr. Harold Wenaas
J. William Kearns, Jr.
F. Robert Johnson
Mary L. Andridge

Absent:

Edward F. Argenbright

The minutes of the last meeting were approved and entered in the record.

The Board then discussed investments, mortgages, financial and budget reports.

The question of social investing was brought up by Mr. Kearns regarding the article he had sent to the Executive Secretary and Mr. Kearns noted that there seems to be an increasing trend in this direction. Mr. Corbin mentioned that this was discussed with Mr. Howeth at the last meeting. The Executive Secretary said that Governor Brown was interested in how retirement money could be used to specifically help the State of California and that the report was prepared with that in mind. The Board then discussed the portfolio yield of 8.53% and why it was so low and that with current interest rates, shouldn't the return start to show a sizeable increase? The Executive Secretary said that with a \$200 million dollar portfolio, it takes awhile to show a dramatic increase in the yield because a lot of the money is invested in bonds of a long term nature.

Mr. Kearns then said he had some questions on the mortgage delinquency profile and whether we had some serious problems. Mary Andridge then gave a detailed report by servicer of the delinquencies of three months or more. Foreclosure letters were sent by the Board of investments on loans considered in trouble and in some instances, additional payments were made. Mrs. Andridge went on to say that the current state of the economy has a lot to do with the increased delinquencies. Dr. Wenaas then said that he sits on the Board of Great Falls Federal and that two or three years ago they only had four or five bad loans, but recently they have had a whole bunch of them. Chairman Burke said that there are a lot of people not working and in his area the railroad is cutting, woodworkers are being laid off, lumber people aren't working so there are a lot of people that don't have jobs. Mrs. Andridge said

that Bancshares from Spokane is foreclosing on one loan, and that Del Realty of Billings is also foreclosing on one five months delinquent. Mr. Kearns suggested that any loans four or more months delinquent should get particular concern and Mrs. Andridge said that as a rule, letters are sent when they are delinquent three months. The Executive Secretary said that we have 1,569 loans and Mr. Kearns said that maybe 10 are serious.

Attention then shifted to the budget and Chairman Burke asked the Executive Secretary whether there were any serious problems? He replied that he thought that it was going to be tight but that we should be able to make it. He said that we have withheld doing any microfilming until we're sure how much money we are going to have. Mr. Johnson added that we also would like to print a new handbook of information and that runs about \$3,500.00. He went on to say that the budget includes encumbrances like the upcoming valuation and also rent we pay ourselves so that those expenditures are reflected in the budget as an expended item. He also stated that at the July meeting we will provide the Board with the figures for the 82-83 year and compare them with the current budget so that the Board could see what the Legislature did. Mr. Corbin then expressed his displeasure regarding the budget process and how it applies to non-general fund agencies.

Dr. Wenaas then asked about the latest thing on the strike of state employees. The Executive Secretary said that we were told that there is expected to be a strike and it probably would result in a shutdown of state government. Chairman Burke asked what they were fighting over and Mr. Johnson said it was over the pay plan. Discussion ensued over the advantages and disadvantages of the various pay plan proposals and the fact that with the general state of the economy it would not be in the best interest to grant a 12% increase. Dr. Wenaas and LeRoy Corbin spoke in favor of the proposed increase because of insufficient raises in past legislative sessions.

The next item of business was the Executive Secretary's report and Chairman Burke asked for his comments. The Executive Secretary said that legislation was the dominating factor and this was his first experience with the Legislature and that it has been very enlightening and he had learned a lot. Dr. Wenaas said that he felt we came out pretty good in the legislative session and although House Bill 45 didn't pass the way it was proposed but that we took a stand for what we felt was equitable but that the sign of the times more or less dictated the fate of that bill. There were some housecleaning bills that definitely strengthened the System. Chairman Burke asked if the severance pay bill was signed or on the Governor's desk and Mr. Johnson said that it had gone to the Governor. Mr. Burke said that bill would help a lot and Dr. Wenaas agreed.

4

The Executive Secretary then completed his discussion on the Executive Secretary's Report.

The next item of business was legislation effecting the retirement system and discussion of the report that summarized the various legislative bills. Mr. Corbin remarked that he didn't deal as much with this Legislature as in the past, but overall he didn't feel things came out too bad for education. Dr. Wenaas agreed and said they got the big foundation program. Chairman Burke asked about the bill granting free military service to Viet Nam veterans and its ultimate cost to the System. The Executive Secretary said we really didn't know the cost and we were going to watch this very closely and record every service credit, then submit it to Alton to see whether the employer contribution increase was adequate.

The Executive Secretary then asked the Board if they wanted to refund the money that any members have paid towards the purchase of Viet Nam service and the Board agreed that this would be the fair thing to do.

Dr. Gloege then asked about the status of the bill to reduce the retirement age and whether it was a MEA bill. The Executive Secretary said no it was not a MEA bill but a bill by Representative Nordtvedt from Montana State University, to reduce the retirement age to 50 if a member has less than 30 years of service. Dr. Gloege asked what the status of the bill was and Mr. Johnson said that it had been transmitted to the Governor on April 11.

Mr. Kearns then asked, then when it is all over do we take the legislation to Alton to see how it affects us? The Executive Secretary said no, any bill that had a cost to it had already been reviewed by Mr. Hendrickson.

The Executive Secretary said that he was fairly pleased with the session in that the bills we opposed like Viet Nam service, they did give us additional funding. The private school bill had some bad language and that we submitted amendments to the author of the bill and that these amendments were accepted by the Senate State Administration Committee.

In regard to the severance bill, the Executive Secretary said that the formula provided in the bill would be discussed at the next meeting for Board approval. Mr. Corbin said that if you sit down and look at it, option 3 would seem to be the best option. The Executive Secretary felt that option 2 is worth considering because you are going to recover your personal contributions on the severance pay within 45 months of retirement particularly when you consider at age 60 you are going to live approximately 19 years. Dr. Wenaas felt the advantage of the bill was that it was up to the teacher's discretion and the big thing is they can't walk away with their money and rip off the fund, but they can get the increased benefits if they so elect. Mr. Corbin agreed and said we would like to see these unfunded liabilities go away and that we

should look for more instances of this type of thing. Dr. Wenaas said we handled the Viet Nam service with an increase to the employer and with the 3 options in the severance bill, the solutions are better than the bill we originally had. Dr. Wenaas said he was considering resigning unless something was done on the severance thing because he could see the fund going down and didn't want to be a part of that. He further added that he sees it as cleaning house and if we watch our unfunded debts, the fund will either stabilize or come back. Mr. Corbin said if it's not he wants to be one of the first ones to know why, and also if there is something else we have to clean up.

Mr. Corbin said initially it was felt that the severance bill would increase retirements but now after people are looking at that if they are feeling good and enjoying their work they are going to stay.

Mr. Kearns then asked what other types of unfunded liability do we have and the Executive Secretary said that unfunded liabilities are the result of past benefit increases for which no funding has been provided and it is his understanding that the Board has taken a position not to support any benefit increases that are not adequately funded. This should prevent further increase. Dr. Gloege asked about private school teaching and whether it was funded and the Executive Secretary said that it is going to have some cost but that Mr. Hendrickson felt it was minimal in that the employee has to pay both the employee and employer contributions.

The Executive Secretary said that we will probably see an increase in the unfunded liability because of House Bill 45, the cost-of-living bill. In other words, if you give a cost-of-living increase we are funding the cost over the next 40 years but the greatest cost is in the early years. He further stated that it is like taking out a loan, you start out with a large liability and amortize that over a period of 40 years. Dr. Wenaas asked where the funding was coming from and the Executive Secretary said, through increased employer contributions of .12.

Mr. Corbin said one question that is asked me by retired teachers is that they cannot understand why they do not get a little bit of a cost-of-living increase coming from the interest earned from the System. The Executive Secretary said that the interest earnings are already taken into account in the valuation and that the interest goes to fund current costs as well as liabilities that will occur in the future. Any extra money, therefore, is going to fund the unfunded liability of \$354 million. He stated that the System is prefunded, in other words, you fund the benefit that is happening right now as well as the benefits that accrue in the future. Dr. Wenaas said there is no simple way of explaining that.

The next item of business was interest rates for 1981-82. The Executive Secretary explained that the Board has the responsibility

6

to set interest rates each year, based on what we are earning. He said we are currently at 7% which was increased from 5½% last year. Our yield last year was a little over 8½%. He said that we should consider raising the interest but at the same time we also must realize that the only people that benefit are those people that withdraw their money. It doesn't benefit the person that stays. Mr. Corbin asked if it wouldn't be better to raise the interest rates and say that they are better off leaving their money in the System. Chairman Burke said that he felt even if you moved it up to 8½% he didn't think they would leave it in and everyone agreed. Mr. Burke added that with just \$1,000.00 you can go into money market certificates and get a higher yield. The Executive Secretary said that he had discussed the interest rate with Alton and he said the Board should consider raising it. The Executive Secretary also said at the same time you are raising the interest rate to members who buy service so it increases the borrowing costs to members.

Mr. Corbin then questioned our yield of under 9% when the latest purchases are earning anywhere from 11 to 19%. Dr. Wenaas said that with a yield of 8.50% you have a lot of investments at a low yield. Chairman Burke said you have to remember that three years ago we were making house loans at 9% and that three years isn't that far back. The Executive Secretary added that 50% of your portfolio is in long term bonds. Mr. Corbin asked how long is the term on those bonds and was told 20 to 30 years. Mr. Johnson pointed out that the balance sheet reflects 138 million of the 211 million is in corporate bonds and that up until 1973 that was about all they could invest in. He added that there was a bill to remove the 20% restriction on common stock to 50% and that it was felt that this was the best hedge against inflation.

Mr. Kearns then made a motion to raise the interest rate to 8% and Dr. Gloege seconded the motion. The motion passed unanimously. The effective date of this motion will be July 1, 1981.

The next item on the agenda was the cost of actuarial studies. The Executive Secretary said that he brought it up for informational purposes only. The contract with the actuary covers only the valuation and not actuarial information we need to know, for example, what a cost-of-living bill is going to cost. He said that he asked the legislature for an additional \$2,500.00 to fund this type of thing and no questions were raised in the budget hearing. When it came time for the executive committee hearing, they denied the request on the grounds that there won't be any more actuarial studies in the next two years because we just had the big one, and they were referring to House Bill 45. We, therefore, didn't get any money for actuarial studies. Our only option then is that any outside organizations that request costs for proposed benefit increases should pay for the actuarial studies. Chairman Burke asked if it wouldn't be fair to notify some of these agencies that we are going to do this. The Executive Secretary said he would write a letter to the heads of these agencies to explain our position. Mr. Corbin suggested that this be proposed in the form of a motion and Mr. Kearns

made the motion and Dr. Wenaas seconded it. The motion passed unanimously.

Dr. Wenaas wanted to make it clear that this wouldn't prohibit the Board from making any required studies.

Under old business the Executive Secretary said he would like further discussion on the one recommendation in the Legislative Auditor's report pertaining to the effective date of disability. The criticism was allowing a member to draw a disability benefit while at the same time remaining on the payroll until the sick leave had been used. Chairman Burke asked what the alternative was, to pay them the sick leave and then put them on disability? The Executive Secretary said after their sick leave runs out. Mr. Burke questioned whether this would penalize them and the Executive Secretary said not necessarily, if they are drawing their sick leave and getting paid their salary. Dr. Wenaas said that he didn't think you should feed at the public trough twice. The Executive Secretary said that with the Board only meeting every three months it could force an individual to remain on sick leave. Mr. Corbin said that his main concern was that if he was to submit a disability next week and he could no longer work, the member should have some income during the three month period. It was then pointed out that checks are retroactive, so the member is reimbursed for any time lost by the Board meeting at three month intervals. Chairman Burke said that the way we have been criticized, maybe we should make the change and see if this is going to help. The Executive Secretary said the disability could be effective the first of the month following the month in which they last appear on the payroll. The Executive Secretary said that in order to make the change we have to go through the procedure established by the administrative codes and that a public hearing is required. Dr. Gloege then asked what the Executive Secretary thought. He replied that he agreed with the auditor's view point in that he didn't think an individual should be entitled to draw sick leave or full pay and a disability benefit at the same time. He also stated that if it was the Board's decision, we do not have to agree with the audit recommendation. After considerable discussion concerning the suggestion, Dr. Gloege moved that the policy be changed so that the effective date of the disability was the first of the month following the month in which they last appear on the payroll. Dr. Wenaas seconded the motion and the motion passed unanimously.

Chairman Burke then asked if there was anything else under old business and the Executive Secretary said that he should have included the disability review. Every year the System requires that anyone on a disability of five years or less submit an annual disability statement to attest to the fact that they are still disabled and also to report their outside income. Mr. Corbin then asked how much they were allowed to earn and was told, the difference between their average final salary at retirement and their annual disability benefit. He said that there was one individual that we did get an improved report on

8

and that was Larry J. Watterson who now lives in Townsend and works for the Department of Agriculture. The doctor's latest report indicated that the patient was never totally disabled but earlier reports indicated that he could not return to teaching. His diagnosis was numbness and arthritis of the spine. In light of the member's age, which is now 60, the member would not have to file additional disability reports and, therefore, there was really no action that need be taken at this time. Dr. Wenaas questioned if all disabilities were reviewed and the Executive Secretary said that all in accordance with the law.

The next item of business was the applications for retirement and survivor's benefits. The Board reviewed the names and Dr. Gloege moved that the January, February, March and part of April's applications be approved. Dr. Wenaas seconded the motion and the motion passed unanimously.

Mr. Corbin asked what the survivor benefit usually is compared to the normal form and what it is when an active member dies. It was explained that at the time of a retirement a member may elect an option to provide a monthly amount to the beneficiary. When an active member dies with five or more years of service, the beneficiary has the option of electing a lump sum refund of contributions and interest or a monthly annuity payable throughout the beneficiary's lifetime.

The disability applications were next reviewed.

The disability application for Irene Bottomly was then considered. Mrs. Bottomly suffers from an asthmatic condition. Dr. Wenaas said that he was familiar with the case and that the member is in very poor health and unable to teach. Dr. Wenaas then moved to accept the disability application. Mr. Kearns seconded the motion and the motion passed unanimously.

Howard Fenton's disability application was then discussed. Mr. Fenton suffers from a total hearing loss. Mr. Kearns questioned whether this could be corrected with a hearing aid. Dr. Wenaas then called his personnel director for additional information and stated that their reports indicate total hearing loss in the left ear and no useful hearing in the right ear. Mr. Kearns moved that the disability be accepted and Mr. Corbin seconded the motion. The motion then passed unanimously.

The application for Frances I. Jones of Grass Range was then considered. Mrs. Jones was suffering from cell abnormality and suffers from pain. Dr. Gloege questioned where the doctor was from and the Executive Secretary said that it was Dr. Ensign from Billings. Dr. Gloege stated that he is a very reputable doctor, one of the best and he would be inclined to go along with Dr. Ensign's report and diagnosis. Dr. Gloege moved that the disability be approved and Dr. Wenaas seconded the motion, which carried unanimously.

Ronald T. Simpson was next discussed. Mr. Corbin moved that the disability be approved. Mr. Kearns seconded the motion. Motion passed, unanimously.

Consideration then went to setting a meeting date for the next Board meeting.

Dr. Gloege addressed the Board and stated, that this would be his last meeting unless he is reappointed and that he had sent a letter to the Governor. Mr. Kearns then said his term was also up on July 1.

The Executive Secretary said that he felt the Board members should be reappointed just because of the complexities of the operation and that it takes four years to become familiar with the System.

Chairman Burke said he would be happy to write a letter recommending that both Dr. Gloege and Mr. Kearns be reappointed but he said he didn't know what weight that would have with the Governor.

The Executive Secretary then said the Board had indicated a preference to have the next meeting out of town, and suggested Dr. Wenaas' home town. Dates were then discussed and Mr. Corbin moved that the meeting be held in Great Falls on July 27. Dr. Wenaas seconded the motion and motion carried.

Dr. Gloege then moved that the meeting be adjourned. Motion was seconded by Mr. Kearns and carried unanimously.

<u>RETIREMENT APPLICATIONS - JANUARY 1981</u>	<u>AMOUNT</u>	<u>AGE</u>
Asleson, Johan A.	2,022.12	62
Baldridge, Donald E.	1,122.28	52
Beaver, Robert L.	548.54	60
(Retroactive to 12/01/80)		
Beckers, Margaret E.	271.35	59
Bolenske, Mary	224.03	60
Cyr, Anna M.	223.39	60
Duden, F. William	316.15	60
Edmisten, Gladys M.	316.23	60
(Retroactive to 11/01/80)		
Gold, Raymond L.	1,189.68	59
Heley, Raymond W.	393.17	55
(Retroactive to 02/01/76)		
Holje, Helmer	1,571.09	62
Lane, Harrison	1,102.90	63
Wright, John C.	997.20	62

<u>SURVIVOR BENEFITS - JANUARY 1981</u>	<u>AMOUNT</u>	<u>AGE</u>
Hausser, Margaret M.	861.26	62
(Surv. of Harry E. Hausser)		

<u>SURVIVOR BENEFITS - JANUARY 1981 (cont)</u>	<u>AMOUNT</u>	<u>AGE</u>
Hummel, Kermit (Surv. of Adella Hummel)	50.65	27
Kurtz, Lester J. (Surv. of Rose Ann Kurtz)	471.90	72

<u>RETIREMENT APPLICATIONS - FEBRUARY 1981</u>	<u>AMOUNT</u>	<u>AGE</u>
Babcock, Lyle	974.73	62
Gildroy, Ralph	138.34	60
Hayes, Lawrence	823.15	58
Hiett, Jeanette T. (Retroactive to 6/1/80)	296.20	60
Rae, Robert	1,376.76	62
Ward, Phillip A. Jr.	1,294.73	54

<u>SURVIVOR BENEFITS - FEBRUARY 1981</u>	<u>AMOUNT</u>	<u>AGE</u>
Cheever, Myrtle (Surv. of H.C. Cheever)	189.24	
Hummell, Karen (Surv. of Adella Hummel)	50.91	29
Kirkpatrick, Franklin C. (Surv. of Lorna Kirkpatrick)	325.45	67

<u>RETIREMENT APPLICATIONS - MARCH 1981</u>	<u>AMOUNT</u>	<u>AGE</u>
Bitney, Robert	798.90	54
Brann, Lois	113.13	58
Bruckner, Mary E.	131.34	55
Burgess, Glenn J. (Retroactive to 8/1/80)	398.66	56
Dove, Lois Ann (Retroactive to 2/1/81)	460.10	60
Drummond, James	1,343.69	60
Larson, LaVille H.	262.85	57
Lock, Lorraine (Retroactive to 3/1/79)	205.34	56
Ogle, William	1,047.51	59
Schultz, Frederick (Retroactive to 7/1/76)	72.67	55
Stapleton, Jeanne C. (Retroactive to 11/1/80)	161.08	62

<u>SURVIVOR BENEFITS - MARCH 1981</u>	<u>AMOUNT</u>	<u>AGE</u>
McGuire, Lloyd (Surv. of Calista McGuire)	407.58	53
Previs, Veanna (Surv. of Steve Previs)	125.75	71

RETIREMENT APPLICATIONS - APRIL 1981

Fiegelson, Arthur A.
(Retroactive to 10/1/80)
Pitts, Carroll
Walker, William A.
(Retroactive to 3/1/80)

AMOUNT

AGE

166.29

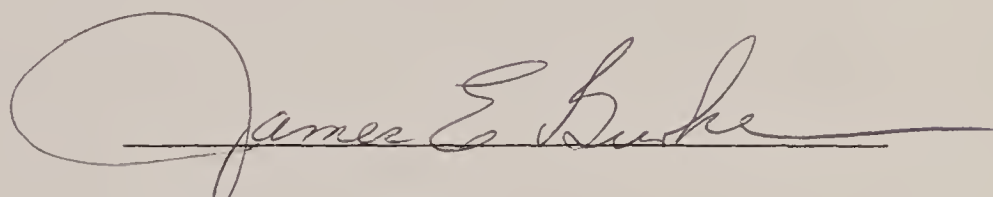
55

83.74

55

201.09

55



James E. Burke
Chairman



F. Robert Johnson
Executive Secretary

EXECUTIVE SECRETARY'S REPORT

JULY 21, 1981

The several pieces of legislation passed during the recent legislative session has resulted in a large number of phone calls and personal visits. The number of refund applications has also been quite steady.

At this writing we have processed 212 retirement applications which will be effective July 1, 1981. This compares to 145 the Board approved at this time a year ago. The legislation on the termination pay probably had a lot to do with the increased number of applications, as well as retirement incentives instituted at several school districts.

The phase 3 portion of our new computerized membership system is well under way again. Mary Andridge, Hank Whitaker and Marjorie Rowley have been spending a lot of time with the people from Information Systems Division to come up with a workable system. At this particular time of year this means a lot of extra time since they all have their regular workloads. The revised phase 3 is scheduled to be completed in early September and is the most critical phase of the 9 phase operation.

Margaret Ramberg, an administrative assistant, is retiring effective July 31, 1981. Mrs. Ramberg's primary responsibility was the retired payroll and communicating with our retired members. She has been a faithful and responsible employee since July 15, 1965. We will all miss her and wish her well in her retirement.

I have had speaking engagements at Montana State University, school administrators of the Great Falls public school system and to the "AA" principals at a meeting held in Fairmont Hot Springs. The legislative changes were the area of most concern, and there was a lot of interest in the several changes that were made.

Mary Andridge and Hank Whitaker attended a two day session on "personnel selection techniques" sponsored by the Personnel Division. Various types of training sessions are offered periodically and we plan to utilize these in the future as pertinent subjects are offered and as our budget permits.

The addresses of our unclassified accounts provided by the Board members resulted in a lot of refund requests, however, we still have a large number of unclaimed accounts and will have to begin to work with the Department of Revenue.

TEACHERS' RETIREMENT BOARD MEETING

JULY 27, 1981

Chairman Burke opened the meeting at 9:30 A.M. in Room 298 of the Heritage Inn. Those present were:

Chairman Jim Burke
LeRoy Corbin
J. Thomas Ryan
Edward Argenbright
J. William Kearns, Jr.
F. Robert Johnson
Mary L. Andridge
Jack Foust

Chairman Burke asked if there were any changes or deletions in the Board minutes of the meeting April 14, 1981. There were none and the minutes were approved.

Chairman Burke then noted that Jack Foust was present and, therefore, they would skip down to the item on the agenda so that Mr. Foust could present his case. Chairman Burke asked the Executive Secretary if he had any comments. The Executive Secretary stated that Mr. Foust is appealing the decision to reduce his membership service from 30.18 years to 29.68 years. The action was based on the fact that Mr. Foust was given credit for service time with the Public Employees' Retirement System several years ago and it was discovered when processing Mr. Foust's retirement application, that he was also given credit for service while a member of the Teachers' Retirement System. Since the law states that an individual cannot receive credit for more than one year of service in any one school or fiscal year, the service credit was then reduced to comply with the law. He went on to say that Mr. Foust had resigned his position on the basis of the 30.18 years that had been indicated on previous member account statements. Chairman Burke then asked Mr. Foust if he would like to comment. Mr. Foust said that he had explained in the letter he sent to each Board member that approximately 12 years ago TRS accepted money for that service, it was acknowledged and they had quoted it to me on four different statements. He turned his resignation in on the basis of the information provided and submitted his application for retirement and Mr. Johnson then discovered the error and reduced the service. Mr. Corbin then asked what difference it would make in his retirement benefit and was told approximately \$34.00 per month. Mr. Corbin stated that this being an error of the System he didn't think it was any fault of his and that he would move that the Board accept the error and give Mr. Foust his full retirement benefit. The motion was seconded by Mr. Kearns. Mr. Kearns then asked the Executive Secretary if he felt Mr. Foust was properly notified. The Executive Secretary said that there is no doubt the error was ours and that

this happens quite often, however, the information was not checked at the time of transfer since it was assumed that it would be different service. Chairman Burke asked Mr. Foust what he was doing that he had duplicate service and Mr. Foust said that he worked for the State Engineers Office prior to teaching and that after commencing teaching he went back and worked for them during the summer months. Mr. Corbin stated that had the mistake been found prior to his resignation that it would have been a lot different. Mr. Ryan added that there are cases on record of a member receiving double compensation and wondered if Mr. Foust would be eligible for a benefit from PERS. The Executive Secretary said no. Mr. Argenbright questioned whether the Board may be establishing a precedent in this particular case that would have future implications. The Executive Secretary stated that he felt this was a specific instance and because of the circumstance he didn't think we would be establishing any precedent that would have to be followed in the future. He added that precautions have been taken to avoid these errors in the future but past service transfers does not guarantee it won't happen again. Mr. Corbin felt that the error was not any of Mr. Foust's doing and that we should treat him fairly. Chairman Burke asked for any other discussion or whether they were ready for a vote? There being no further discussion the motion passed unanimously.

Mr. Foust said he didn't think any one person was to blame and since four different people handled his situation at various times and had the error been discovered prior to his resignation he would have worked one more year.

Chairman Burke then returned to the order of business on investments, financial reports, etc.. The Executive Secretary said that financial statements and budget are pre-closing, therefore, do not properly reflect 80-81 activity at this time.

The mortgage delinquencies were then discussed and the Assistant Executive Secretary went over each of those delinquencies that were thought to be serious. Mr. Corbin wondered what is done when they get two months behind in payments. Mrs. Andridge replied that they stay on top of these pretty well and by the fourth month they start foreclosure proceedings. The Executive Secretary added for the benefit of the new Board members "they" mean the Board of Investments. Mr. Argenbright asked how we end up with these loans. The Executive Secretary explained that through the investment process, they buy VA or GI mortgages and when people have difficulty in making payments we wind up with some delinquents. The Board of Investments do monitor the loans. The bank that sells the loan, service the loans and they are responsible for collecting the payments, paying the taxes and insurance. Chairman Burke added that they have a list of approved banks and that they buy them in packages of \$100,000.00 and \$200,000.00 sums. Attention then shifted to the budget and Chairman Burke noted that we came through the year in good shape. Discussion then ensued about the rate of return and the philosophy of long term vs. short term investing. Financial reports were then approved as a matter of record.

The next item on the agenda was the Executive Secretary's Report and the Executive Secretary noted that it has been a busy last two months since the end of the legislature and the cost-of-living increase to our retired members caused some problems which entailed some weekend work. He added that there would be a lot of disappointed people when they get their July checks. Mr. Argenbright said that just from the point of looking at school financing the cost of retirement is really impacting local districts. He further stated that declining enrollments added to the finance problems. The Executive Secretary said that he was concerned about the declining membership in TRS and the effects it will have on the actuarial valuation.

Mr. Kearns then asked about our dormant accounts and how that was coming. The Assistant Executive Secretary said we had very good results from those addresses provided by the Board members. The Executive Secretary said we are going to have to take it one step further and work with the Department of Revenue and have them provide us with addresses. Mr. Kearns asked if we had a count on the numbers and the Assistant Executive Secretary replied that about 5 to 10% of our refunds were probably inactive accounts.

Chairman Burke noted that the next item was new business and that it is time to reorganize the Board and elect Chairman and Vice-Chairman. Discussion took place concerning Board makeup and tenure. Mr. Kearns then made the motion that LeRoy Corbin be Chairman and Dr. Wenaas as Vice-Chairman. Mr. Argenbright seconded the motion and the motion carried unanimously. Mr. Corbin then thanked the Board members for his election and for the job that Jim Burke had done as chairman.

Mr. Corbin then asked the Executive Secretary for an explanation of the strike policy and particularly, Missoula County High School. The Executive Secretary said he thought that the Board should give consideration to adopt a policy on strikes so that we would have some guidelines in the future. The situation as it exists in Missoula is that the Teachers went out on strike on May 6, and our law says that in order to be considered a full-time teacher, they must work nine months of the school year. By going out on strike on May 6, the Missoula teachers would not normally receive credit for the month of May, which means they would receive credit for only eight months. He further added that if they are employed 15 or more days in a month we give them a full months credit and that it is not a written law or Board rule or regulation, but just a way of administering creditable service. The high schools had reported the teachers for a full FTE for the month of May and a sizeable contribution was received in May due to adjusting salaries for those people paid on a 12 month basis. Mr. Burke asked the Executive Secretary what he thought should be done? He then said that we have to look at the situation and that he didn't feel that service credit should be given if we do not get contributions for that time. Mr. Burke noted that we ought to at least get the Attorney General or somebody to give us an opinion as to what our legal obligation is. He further added that he didn't think that without receiving the appropriate contribution, we don't give service.

Chairman Corbin then said he felt we should seek an opinion and that maybe we would have to set a policy and let someone challenge it. The Executive Secretary stated that there was one individual who retired this year, namely Robert Narum, who worked 12 days in July and six days in May and that he thought this was sufficient service to give him a full years credit, but he wanted the Board to concur. There was no objection to this particular situation. Mr. Kearns then moved that we seek legal advice as to the feasibility of crediting service while on strike and that this should be an item of old business at the next Board meeting. Jim Burke seconded the motion and motion carried unanimously.

Chairman Burke said the next item of business was Harold Rose' from MSU. The Executive Secretary said that several months ago the Board adopted a policy to give creditable service for 8th quarter leave. He then briefed the newer members of the Board on 8th quarter leave and the circumstances leading to the Board policy. He said Mr. Rose' is petitioning the Board to utilize the 8th quarter leave in the salary calculations. Mr. Rose' terminated at the end of December, however, the 8th quarter leave he received would have covered what he would have been paid from January through June; therefore, Mr. Rose' wanted the salary he would have earned during the academic year to be utilized in the calculation of benefits. He said that copies of Mr. Rose' letter had been sent to each Board member, but that it was his understanding that there was no intention by the Board to use 8th quarter leave as an addition to final average salary. Mr. Burke moved that the Board support the original calculations. Mr. Kearns seconded the motion and it carried unanimously.

The next item of business was that of Charles R. Fox, MSU. The Executive Secretary stated that Mr. Fox had been a member of PERS for many years and evidently was promoted to a position covered by the Teachers' Retirement System. As a member of PERS, Mr. Fox would have been eligible to purchase all of his military service based on his years of service with PERS. As a member of TRS he is only eligible to buy a maximum of two years, so Mr. Fox wrote a letter to the PERS Board requesting that he be allowed to buy four years, ten months, of military service since while a member of PERS he was not aware that he had the right to buy this service. The PERS Board then said that since the liability in terms of retirement benefits would rest with TRS that this matter be referred to the TRS Board for their consideration. Discussion then followed in regard to precedents that may be established. Mr. Ryan moved that the TRS Board abide by TRS law, which would allow Mr. Fox to buy two years of military service. Mr. Kearns seconded the motion and motion carried unanimously.

The next item of business was consideration of the formula for determining the contributions due under Option I as provided in House Bill 48. The Board members had received a copy of the proposed formula from Alton Hendrickson, actuary for the Teachers' Retirement System. The Executive Secretary then explained the three options provided in the bill and on a flip-chart reviewed the formula as proposed by Mr. Hendrickson. The formula was $5.75\% \times \text{termination}$

pay X years of creditable service and Mr. Hendrickson said that this would fully fund any retirement benefits should a member elect Option I. Mr. Hendrickson further recommended that the employee contribute 2.80% of the 5.75% and the employer 2.95%. Mr. Argenbright then said that if the district wants to encourage early retirement by putting additional termination pay into the retirement system, they go into it with their eyes open and the employee and employer would know precisely what the cost would be. Mr. Kearns moved that the formula as proposed by Mr. Hendrickson be adopted and the motion was seconded by Mr. Burke. Chairman Corbin then suggested that letters be sent to the educational agencies advising them of the options. The question was then asked if the employee elected Option I, would the employer be liable for their share of the contributions and the Executive Secretary replied in the affirmative. The motion then passed unanimously.

Chairman Corbin then stated the next item of business was the lease agreement with the Architectural and Engineering Division of the Department of Administration. The Executive Secretary said that the Board discussed this last year and felt a significant increase in rent was justified in order to be competitive with other rentors and recognizing the location of the building and the terms of the agreement. The rental for this year is \$6.50 per square foot and this will increase to \$6.89 next year. Mr. Argenbright asked if this included heat and water and the Executive Secretary said yes, and also janitorial services. Mr. Argenbright moved that the lease agreement be approved. Mr. Ryan seconded the motion, which was carried unanimously.

The next order of business was the contract with Hendrickson and Bird, Inc., to cover the actuarial valuation at a cost of \$8,750.00. This was an increase of \$1,500.00 over that of two years ago. The Executive Secretary stated that we have an actuarial valuation every two years and that the valuation is necessary in order to determine the financial soundness of the System. Future contracts will have to be put up for bid because of a law change. There is also a provision to provide additional actuarial services as needed at a cost of \$75.00 per hour. Mr. Kearns moved that the contract be approved which was seconded by Mr. Argenbright. Motion carried unanimously.

Attendance at the National Conference on Teachers' Retirement was then discussed. Chairman Corbin then asked the Executive Secretary who the next Board member to attend the conference would be? He replied that the Board normally determines the Board member and that he would recommend that a staff member and one Board member attend the conference. Chairman Corbin noted that the Board member attending is usually done on a rotating basis. Mr. Ryan felt that the Superintendent of Public Instruction consider going. Chairman Corbin added that the one he attended in Hollywood, Florida, was a good conference and a good education process for Board members. Discussion continued on the merits of Board members attending the function and in view of the lack of information of who attended the last conference that the Executive Secretary provide this and the Board member be selected on the rotation basis. Mr. Kearns then provided this in the form of a motion which was seconded by Mr. Argenbright. The

motion then passed unanimously. Mr. Burke added that not only should it be decided on a rotation basis, but that also the conference should be rotated so that a Board member does not go to the same conference. The Board agreed and it was decided that Mr. Kearns or Mr. Burke would be the Board member eligible to attend the NCTR in Boston, September 27 to October 1.

The Keith Jovanovich case was the next item of business. The Executive Secretary said that Keith Jovanovich was an active member who died. Under the law the beneficiary is entitled to receive either a lump sum refund of contributions and interest or a monthly annuity payable throughout the lifetime of the beneficiary. Unfortunately, Mr. Jovanovich was divorced and did not file a beneficiary change, so his first wife is the only named beneficiary. His first wife, through a telephone conversation and also through a lawyer in a telephone conversation, indicated that she would be willing to waive the death benefit to Mr. Jovanovich's present wife. He added that the law provides that in the absence of a beneficiary the death benefit is payable to the estate in a lump sum and in his opinion and after talking to Mike Young, lawyer for the Department of Administration, if the ex-wife did waive the benefit, the only thing we could do would be to refund the estate, the lump sum of contributions and interest. We would not be able to provide a monthly benefit to the second wife because there is no legal documentation available to substantiate this beneficiary. Mr. Kearns questioned why we could not give the second wife a monthly benefit. The Executive Secretary said because there was never anything in the member's file that we do so and in the absence of a designated beneficiary, all benefits are payable to the estate. Mr. Burke made a motion that if the first wife waives the benefit that we grant a lump sum benefit to the estate. Mr. Kearns seconded the motion and it carried unanimously.

The next item of consideration was formal approval of the rule change on effective date of disability. The Executive Secretary advised the Board that they had authorized this change in the last Board meeting but that formal approval was now needed to comply with legal requirements. Mr. Argenbright asked if we have followed the necessary legal steps to affect the change and the Executive Secretary said that we have gone through the administrative code procedure and it is simply a matter of the Board voting final approval. Mr. Argenbright moved that the Board adopt the change, which was seconded by Mr. Burke and voted on unanimously.

Next item of business was the report from the Assistant Executive Secretary on the NCPERS Conference in Maui, Hawaii, last April. Mrs. Andridge said the big issue was opposition to Reagan's recommendations for Social Security because they were in conflict with conference policy. She also mentioned the increasing use of electronic transfers of retirement benefit checks directly to the banks. She added that it was her understanding that at the present time, Information Systems Division is not interested in working on a proposal of this nature. Mrs. Andridge continued on many of the highlights concerning the conference such as unisex tables, investments, COLA and PERISA. The Board thanked Mrs. Andridge for her excellent report. Discussion followed on problems with the Social Security program and then attention focused on consideration of the retirement and survivor applications.

Without further discussion Mr. Kearns moved that the retirement and survivor applications be approved. Mr. Burke seconded the motion and it passed unanimously.

The disability applications were the next order of business.

The application for Gilbert G. Giebink, MSU, was considered. Mr. Kearns moved that the application be approved. Mr. Burke seconded the motion and the disability was approved unanimously.

The next disability application was Mary Jane Honey of Darby, Montana. After due consideration of the attending physician's statement it was suggested by Mr. Burke that additional medical information be requested and considered at the next meeting.

Morris Myxter, Great Falls, was next reviewed and after some discussion Mr. Burke moved that it be approved. Mr. Kearns seconded the motion and it passed unanimously.

The application for Harold Davidson, Eastern Montana College, was considered and Mr. Burke moved that it be approved. Mr. Argenbright seconded the motion and passed it unanimously.

The last item of business was setting a meeting date for the next Board meeting, and it was decided that it be set for October 9, 1981.

Chairman Corbin then expressed his thanks to Mr. Burke for his excellent job of chairing the Board for the last few years. Mr. Ryan moved that the Board go on record as being appreciative of his efforts. This was seconded by Mr. Argenbright and carried unanimously.

<u>RETIREMENT APPLICATIONS - APRIL, 1981</u>	<u>AMOUNT</u>	<u>AGE</u>
Wurl, Charlotte (Retroactive to 3/1/81)	\$ 75.85	60

<u>RETIREMENT APPLICATIONS - MAY, 1981</u>		
Kittams, Susie M.	326.84	60
Moody, Edward (Retroactive to 4/1/81)	451.85	59

<u>SURVIVOR BENEFITS - MAY, 1981</u>		
Dean, Gail J. (Survivor of Richard Dean)	175.19	33
Radley, Wanda (Survivor of Robert Radley)	1,211.42	52

<u>RETIREMENT APPLICATIONS - JUNE, 1981</u>		
Billedeaux, Dwight	818.73	56

<u>RETIREMENT APPLICATIONS - JUNE, 1981</u>	(cont)	<u>AMOUNT</u>	<u>AGE</u>
Christman, Charles		\$ 80.67	58
Ginther, Grace E.		403.16	60
Van Steeland, Virginia		136.79	60
Weed, Donna J.		200.39	55
Zuroff, Kathleen		171.16	55

SURVIVOR BENEFITS - JUNE, 1981

Diaz, Damian G.	188.89	18
(Survivor of Daniel J. Diaz, Retroactive to 4/1/81)		
Smith, Gwendolyn F.	1,109.38	59
(Survivor of Howard Smith)		

RETIREMENT APPLICATIONS - JULY, 1981

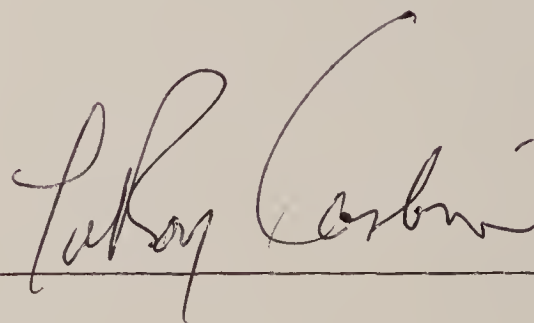
Adams, Helen	406.59	60
Adams, Martha	824.86	60
Adams, Wayne	867.51	64
Albertini, Virginia	752.28	53
Andersen, Charles, M.	831.39	57
Anderson, Norman	1,420.90	57
Anderson, Palmer	621.17	60
Arestad, Leona	790.08	57
Backa, Elsie	389.15	57
Bailey, Joyce	382.93	56
Baker, Laurence	762.97	59
Ball, William A.	1,220.70	51
Barness, Lawrence	526.21	62
Bennett, Fred J.	1,312.77	63
Billings, Ruth R.	719.46	63
Blaylock, Chester	775.88	57
Boe, Margaret	433.56	63
Boisvert, Frances	774.03	63
Boyer, Margaret H.	983.98	63
Brannon, Joseph	1,048.34	61
Britton, Earl	1,157.55	53
Browder, Alice	619.63	62
Bublich, Kathleen	883.63	59
Buzalsky, Eleanor	1,264.64	61
Carlson, Gertrude	254.92	61
Cestnik, Frances	853.19	62
Chambers, William	1,176.24	57
Clark, Wilson F.	1,122.07	60
Clawson, William	886.90	58
Collins, Mary	486.59	62
Cook, Mary L.	527.22	60
Cordier, Bernice	854.15	53
Cottrell, Melvin	1,539.05	59
Cress, Paul	759.88	59
Cross, George	940.85	56
Crow, Evelyn	310.85	57
Daggett, Viviett	663.51	62

<u>RETIREMENT APPLICATIONS - JULY, 1981</u>	<u>(cont)</u>	<u>AMOUNT</u>	<u>AGE</u>
Denning, Marianne		\$ 662.54	62
Dillon, Charles		1,377.21	60
Donovan, Thomas		799.86	62
Doughten, Vernice		409.77	59
Downey, Thomas E.		1,486.05	51
Driscoll, Donald		1,408.95	56
Dwyer, Martin		518.69	56
Eagle, William		927.93	54
Edwards, Donald		1,809.09	60
Elliott, Eugene		970.53	65
Elwood, J. Henry		1,612.92	64
Estes, Isadora B.		229.64	64
Finnigan, William C.		683.80	62
Fitschen, Russell		1,563.23	63
Foreman, Della		328.46	62
Foust, Jack W.		1,056.78	55
Frank, George		725.74	63
Gaffaney, Larry G.		422.39	65
Gallagher, Seumas		832.34	55
Gerber, Fred		1,202.57	62
Gilk, Edwin		913.66	54
Glueckert, Beverly		64.01	55
Gore, Glenn		787.07	61
Gray, Bertha		684.51	62
Griffin, Patricia		704.56	57
Haagenson, Marie		632.31	66
Haines, Muriel		628.67	62
Halvorson, Harriet		1,311.40	63
Hamilton, Margaret		641.23	63
Hansen, Dewey		606.15	58
Hanson, Elsie		681.95	65
Harrington, Donald		1,150.38	55
Hartman, Majorie		1,303.15	63
Hashley, John		552.74	62
Henderson, Richard		1,052.49	56
Hoffman, Betty Lou		1,232.19	54
Holmgren, Laura		1,027.61	60
Horner, Virginia		667.65	60
Howard, William		1,208.70	61
Hubber, Juanita		373.08	55
Huble, Sherman		1,136.38	59
Hurd, Catherine		655.26	63
Elliott, Ada		246.33	55
Ikeda, Isugio		1,347.72	56
Jacos, Veda		1,394.81	65
Jay, Lorraine		1,129.28	57
Jensen, Edan		635.76	67
Johnson, Esther		533.41	60
Johnson, Gilma		1,048.70	61
Johnson, Mirian		614.30	66
Johnson, Rolf		1,070.80	67
Johnson, Roy		1,119.13	59
Johnston, Catherine		1,250.58	66

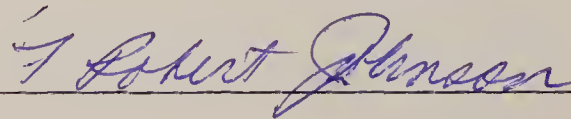
<u>RETIREMENT APPLICATIONS - JULY, 1981</u>	<u>(cont)</u>	<u>AMOUNT</u>	<u>AGE</u>
Johnstone, Ruie		\$ 612.78	62
Jolly, William		1,248.35	56
Jorgenson, E. Margaret		780.13	63
Kastelitz, Edward		1,357.55	65
Kelly, John J.		921.23	60
Keltz, Dave C.		1,697.60	56
Kempner, Jack J.		1,605.77	64
Kempner, Marjorie		479.53	60
Kenny, Miriam		662.00	69
Koontz, George E.		196.88	57
Kraus, Hildur I.		651.15	62
Lalum, Luther		1,225.73	60
Lape, Laurel		621.53	59
Leo, Robert		1,292.59	60
Leverson, Myron		683.71	53
Lewis, Vanetta		1,243.34	69
Lies, Donald		844.96	53
liming, Zada		433.31	63
Lindahl, Dean		1,239.29	55
Love, Barbara		490.40	66
Lynch, Mary		1,022.85	62
McClain, Alice		1,053.25	63
McClaren, William		721.86	53
McDowell, Floyd J.		1,870.87	60
McElroy, Harold		1,309.30	63
McGinley, Jeannette		487.67	66
McKeown, Thomas		1,361.11	56
Magee, Joseph		359.63	55
Marcoe, Z. Ramona		952.74	62
Martin, Ethelyn		696.65	63
Mattson, Richard		1,143.69	59
Messner, Esther		663.16	65
Miller, Orel		613.62	62
Mills, Angelyn		775.95	62
Morgan, George		928.23	65
Muller, Jean		720.09	63
Murphy, Calvin		1,223.04	57
Murray, Lucille		444.69	57
Nelson, Lorraine Clauson		730.88	62
Nielson, Virginia		783.97	64
Nockleby, Evelyn		598.20	64
O'Leary, Angeline		1,435.71	63
Oler, Ruby S.		301.81	63
Olson, Francis A.		1,253.26	58
Osborne, Edith B.		729.63	63
Ostby, Freda		256.69	65
Pacovsky, Vernon		971.59	54
Palagi, Margaret C.		789.24	56
Paull, William T.		662.94	63
Peck, Raymond L.		1,619.82	55
Perry, Naomi C.		631.72	62
Pierce, William R.		919.92	66
Plath, Lydia		1,175.17	63

<u>RETIREMENT APPLICATIONS - JULY, 1981</u>	<u>(cont)</u>	<u>AMOUNT</u>	<u>AGE</u>
Posey, Frederick L.		\$1,291.05	62
Powers, Joseph E.		1,811.84	56
Presthus, Regina		333.12	59
Rae, Raymond J.		1,134.38	54
Ramsett, Willard H.		1,049.63	57
Rase, Lloyd		982.87	57
Reardon, James R.		90.24	59
Richard, LaVern B.		946.90	57
Roberts, Anne D.		378.85	65
Rohnke, Paul O.		677.86	55
Roll, Matilda V.		839.43	64
Rollins, George W.		1,292.69	65
Romstad, F. Donald		1,007.02	57
Saladen, Frances E.		871.04	60
Sandretto, Betty J.		587.42	58
Sanks, Mary		157.77	61
Sauvageau, Kathleen		362.23	66
Schlameus, Floyd		1,444.71	60
Schnebly, Louis M.		904.42	67
Schneider, Henry		350.24	62
Schneider, Marian E.		520.51	59
Searle, Fred G.		1,276.11	57
Seggerman, Edith O.		78.65	60
(Retroactive to 5/1/80)			
Siebrasse, Robert J.		947.91	56
Simonsen, Harriet A.		327.90	63
Sirrine, Delbert C.		887.47	64
Sivils, James J.		944.07	59
Skorupa, Alvina C.		512.46	60
Smith, Ervin P.		1,687.06	59
Smith, Robert C.		1,167.18	57
Sorrell, Ruth E.		504.15	58
Souhrada, Robert		1,380.96	57
Spahr, William E.		1,153.66	65
Stablein, Beulah P.		950.02	50
Stanfield, Donald I.		1,152.79	61
Stayton, Thomas E.		1,168.94	54
Steele, Robert W.		946.45	61
Stefanoff, John		1,272.70	56
Stenson, Orvis J.		1,344.06	55
Stoeser, Selma J.		1,221.21	62
Strand, Louis O.		1,582.43	57
Swenson, Margaret E.		204.10	58
Taylor, Bernice W.		903.79	58
Thomas, Alve		1,763.64	63
Thorson, Robert G.		1,151.03	57
Thronson, Eleanor D.		374.73	64
Titus, Alberta G.		173.92	65
Todd, David J.		847.36	54
Travis, Frances A.		670.87	62
Tyvand, Ben W.		312.10	60
Urlick, Edna R.		780.34	65
Utterback, (Claude) Hilton		1,649.29	65

<u>RETIREMENT APPLICATIONS - JULY, 1981</u>	<u>(cont)</u>	<u>AMOUNT</u>	<u>AGE</u>
Valentine, Dorothy J.		\$ 298.44	70
Van Hise, Ruth		950.93	60
Van Houten, E. Marilyn		300.69	62
Van Valkenburg, Fred R.		1,371.56	63
Vinal, Virginia Y.		534.07	55
Wagner, Paul A.		879.65	66
Waldum, Walter W.		1,046.07	62
Wallace, Willard R.		1,633.84	55
Walsh, Margaret M.		1,483.61	63
Ward, Edward H.		1,499.11	60
Wells, Frances D.		1,096.79	55
Whittington, Robert G.		1,101.13	57
Wilkins, Margie J.		503.18	57
Williams, Dorothy E.		1,050.22	61
Willis, Wilda H.		586.51	64
Wilson, Vincent V.		1,399.68	65
Witt, Evelyn		337.24	64
Ylinen, Walter W.		1,226.54	64
Young, Clara F.		722.94	61
Young, Mae K.		652.35	64



LeRoy Corbin
Chairman



F. Robert Johnson
Executive Secretary

HENDRICKSON & BIRD, INC.

PENSION SERVICES

Consulting • Actuarial • Administrative

1820 Eleventh Avenue
Helena, Montana 59601
(406) 442-5141

June 25, 1981

RECEIVED

JUN 26 1981

F. Robert Johnson
Executive Secretary
Teachers' Retirement System
1500 Sixth Avenue
Helena, MT 59601

TEACHERS' RETIREMENT
SYSTEM

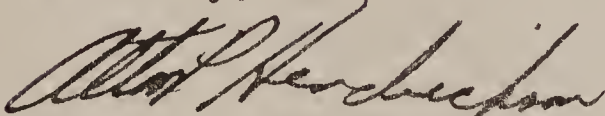
Re: House Bill No. 48

Dear Bob:

House Bill No. 48 provides that a retiring member can use the total termination pay in the calculation of the average final compensation if the member and the employer pay such contributions as necessary to adequately compensate the system for the additional retirement benefits. I have performed actuarial calculations to determine the percentage of salary which must be contributed to adequately compensate the system.

Based upon the calculations, the required percentage of the termination pay would be 5.75% for each year of credited service. It is my recommendation that the employer contribute 2.95% and the employee 2.80% of the supplemental termination pay for each year of service for which the employee will receive retirement credit.

Sincerely,



Alton P. Hendrickson, ASA

1871-72

1872-73

1873-74

1874-75

1875-76

1876-77

1877-78

ACTUARIAL SERVICES

AGREEMENT between Hendrickson & Bird, Inc. (hereinafter called the "Actuary") and the Teachers' Retirement System of the State of Montana (hereinafter called the "System"),

WITNESSETH:

WHEREAS, the System is responsible for retaining actuarial services for periodic investigations into the mortality and service experience of the System; and

WHEREAS, the System has selected the Actuary to perform the required investigations; and

WHEREAS, the period during which the Actuary shall perform such services is the biennium from July 1, 1981 through June 30, 1983;

NOW THEREFORE, in consideration of the premises and of the mutual covenants herein contained, it is agreed by and between the Actuary and the System as follows:

- (1) From the date of this Agreement, the Actuary agrees to provide one or more of its principals to render, to the best of their ability, such actuarial services as are required by the System until the end of the biennium.
- (2) The actuarial services shall include, but shall not be limited to, technical advice to the System on matters regarding its operation, the general investigation of the suitability of the actuarial tables used by the System, a biennial valuation of the liabilities and reserves of the System, as of the July 1 at the beginning of the biennium, reviews and audits of the method the System's staff employs for determining benefits for retiring members, and all other such duties as may be assigned by the System
- (3) The System agrees to make payment to the Actuary of Eight Thousand Seven Hundred and Fifty Dollars (\$8,750) for the biennial actuarial valuation described in paragraph (2). All other services shall be paid on a time and expense basis with rates not to exceed \$75 per hour.
- (4) At the option of the System, this Agreement may be renewed for successive bienna, at terms that shall be agreed in writing by the parties.

Page 2
Actuarial Service Agreement

- (5) It is further expressly understood that upon termination by either party of this Agreement, all data relating to the System prepared by the Actuary shall be turned over to the System.

STATE OF MONTANA
TEACHERS' RETIREMENT SYSTEM

F. Robert Johnson
F. Robert Johnson
Executive Secretary

Jan 22 1981
Date

HENDRICKSON & BIRD, INC.

Alton P. Hendrickson
Alton P. Hendrickson
Actuary

6/19/81
Date

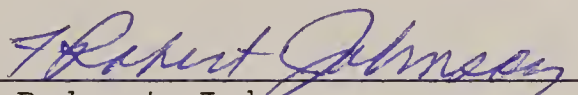
RESOLUTION NO. 76

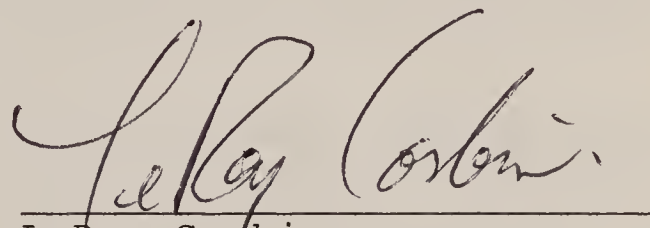
WHEREAS, Dr. George H. Gloege has served as a member of the Teachers' Retirement Board from July 1, 1977 through June 1981, and

WHEREAS, it is the sincere and considered opinion of the members of the Teachers' Retirement Board and its administrative staff, who have served with him during his years of membership, and the many members of the Teachers' Retirement System, that he has served with ability and integrity and,

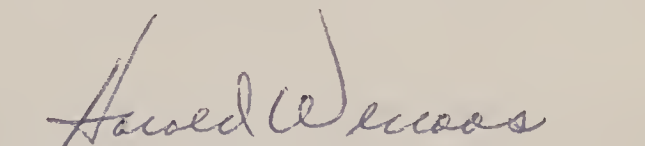
WHEREAS, he has contributed generously of his valuable time, experience and counsel in the equitable administration of the Teachers' Retirement System, now, therefore,

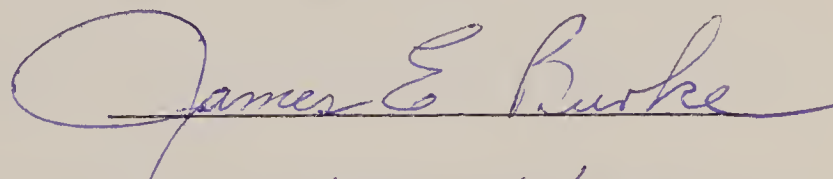
BE IT HEREBY RESOLVED, that his fellow Board members, the administrative staff and the members of the Teachers' Retirement System extend and express their sincere and heartfelt appreciation to Dr. George H. Gloege for his excellent and dedicated service during his years as a member of the Teachers' Retirement Board of the State of Montana.

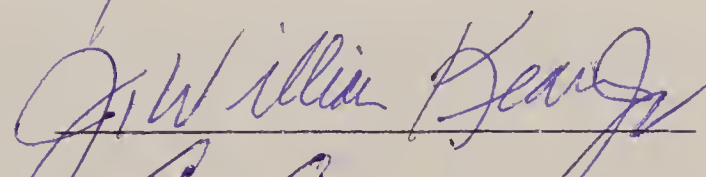
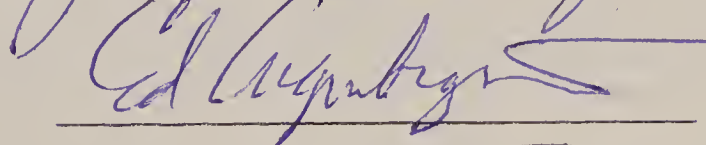

F. Robert Johnson
Executive Secretary

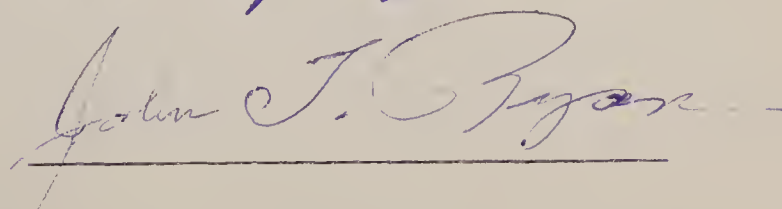

LeRoy Corbin
Chairman


Mary L. Andridge
Ass't Executive Secretary


Harold Wenaas
Vice-Chairman





EXECUTIVE SECRETARY'S REPORT

SEPTEMBER 22, 1981

Statements of member's accounts were sent to all employers during the third week in August, which is the earliest the statements have been ready since we converted our membership accounting system to the state computer. The staff deserves the credit for maintaining the accounts on a current basis.

The Information Systems Division has completed the phase III report of our proposed computer membership system and Mary Andridge, Hank Whitaker and Marjorie Rowley are reviewing the report to resolve any differences or misunderstandings. When we sign off on the phase III report, phase IV will begin, which is basically the design phase of the study. The estimated costs of the system are up considerably from the original estimates and what we actually received from the legislature in our 82-84 budget. This will have to be a consideration in the final design and success of the study. We, of course, want a system that is cost efficient, but one which is superior to our present system.

The revised Handbook of Information was delivered by the printer on September 21 and we started distributing them immediately to the employers. Mailings should be completed by the end of the month with the exception of the larger employers.

Cheri Zagurski, our newly appointed assistant administrative assistant, has resigned her position effective October 15, due to her husband's transfer to Salt Lake City. Cheri was a real asset to our staff and will be missed. We will probably fill Mrs. Zagurski's position from within the office, which will leave a vacant position to fill.

October is a busy month with the NCTR convention and the MFT and MEA conventions. Mary will address the MFT convention in Butte and I will attend the MEA convention here in Helena. We are also offering tours of the TRS building to any interested teachers attending the convention in Helena. I am also scheduled to give a presentation in Miles City on October 20. This is one part of the state we have not been to in several years and there seems to be a lot of interest in that area.

We are taking bids on having our roof repaired where leaks have occurred. We also will be seeking bids through the state purchasing division on painting the interior of the building, both upstairs and down. Some of the walls are badly in need of painting and to the best of my knowledge, no painting has been done since the building was completed in May 1970.

TEACHERS' RETIREMENT BOARD MEETING

OCTOBER 9, 1981

The meeting was called to order at 9:30 A.M. by Chairman Corbin. Those present were:

LeRoy A. Corbin, Chairman
Edward Argenbright
James E. Burke
J. William Kearns, Jr.
J. Thomas Ryan
Dr. Harold Wenaas
F. Robert Johnson
Mary L. Andridge

The first item on the agenda was approval of the minutes for the meeting July 27, 1981. Chairman Corbin asked if there were any questions pertaining to the minutes. There being none Dr. Wenaas moved that the minutes be approved and Mr. Kearns seconded the motion. The motion passed unanimously.

Chairman Corbin said the second item of the agenda was the investment, mortgage and financial reports. The Executive Secretary added that the financial statements included the fiscal year-end since this information was not available at the last meeting. He noted that the financial statements disclosed total assets of over 226 million.

Mr. Burke then said that he had been attending a realtors convention and that they are considering asking the Governor to change the prudent man investment rule when the special legislative session convenes. Discussion then followed concerning the pros and cons of investing within the State. There was a general consensus that whenever we can get competitive yields from within the State the money should remain in Montana. Dr. Wenaas moved that the financial reports be adopted, and this was seconded by Mr. Kearns. The motion passed unanimously.

The next item of business was the Executive Secretary's Report. The Executive Secretary noted that October is a particularly busy month with the NCTR convention, MFT AND MEA conventions. With the MEA convention in Helena, we are booked solid with individual appointments, plus a presentation. He said that Mary Andridge would be giving a presentation, at the MFT convention in Butte. Mr. Kearns asked what the Board thought of Board members attending the convention as this was brought up at the NCTR convention. Mr. Kearns felt that this would make the Board members more visible to the membership. Discussion ensued as to what could be done and it was agreed that the Executive Secretary be directed to write to the various educational agencies to make it known that the Board members

and staff are available to attend their respective meetings.

The next item under new business was Resolution No. 76. Mr. Burke moved that Resolution No. 76 be adopted and Dr. Wenaas seconded the motion. The motion passed unanimously.

The next item of new business was the tax-shelter annuity program. The Executive Secretary stated the Board is aware that we have a tax-sheltered annuity program, which was established in 1967. At the time it was established we offered a pretty fair return but presently our 8% is not competitive with private carriers. He said he was asking the Board for their thoughts as to a direction we might take such as eliminate the program, consider contracting it out or asking for additional help to administer the program properly. He added that in 1980 approximately \$150,000 was withdrawn and rolled over into private companies, while in 1981 this amount increased to \$286,000. This would seem to indicate that our members are looking elsewhere and that we are not really doing the teachers a service by continuing the program at its present level. Dr. Wenaas asked if this was a headache and the Executive Secretary said yes. He said we don't have the staff to provide the services to members or even keep up with the constantly changing rules of the Internal Revenue Service. Mr. Burke agreed that we are not equipped or prepared to manage it. The Board then directed the Executive Secretary to explore the possibilities of contracting the management of the fund to a private contractor.

The next item of business was that of Jean Muller, a teacher member who retired July 1, 1981 and when we made a final review of his creditable service we found an error of one month too much, and we corrected the service. Mr. Muller did not object to the correction, but then stated in a telephone conversation that he had additional military service that he never bothered to qualify, therefore, he was requesting at this time that he be allowed to qualify this free military service of one year, seven months. The Executive Secretary added that there is a long standing Board decision, well documented in the minutes, that an individual must qualify all service prior to retirement. Dr. Wenaas questioned whether we broke any rules by correcting the service? The Executive Secretary said that this is provided by law. Mr. Burke moved that the Board stay with their decision making and this was seconded by Mr. Argenbright. The motion passed unanimously.

The next item on the agenda was old business and the matter of creditable service for teachers on strike in the Missoula County High Schools. The Executive Secretary said the matter had been referred to M. Valencia Lane, attorney for the Department of Administration and that she would be attending the Board meeting and is going to give the Board a memorandum on her findings. Due to the fact that she wasn't here yet, the Board might wish to consider Item B under old business. The Chairman noted their being no opposition the next item of business would be the effective date of disability.

The Executive Secretary said that we have followed all of the administrative code rules and the Board had approved this rule at the last meeting. This was simply to notify the Board and for a matter of record that the effective date for the rule change was September 18, 1981. Therefore, any disability occurring on or after September 18, 1981 the benefit would be effective the first of the month following the month in which the member terminated membership or last contributed to the System. Mr. Johnson said the effective date was provided by John Bobinski, attorney for the Legal and Insurance Division, Department of Administration. Mr. Burke asked if the Board had to vote on the effective date and the Executive Secretary said no, it was simply to notify the Board of the effective date of the rule change.

M. Valencia Lane, attorney for the Department of Administration then entered the meeting at this time and was introduced to the Board by the Executive Secretary.

The Executive Secretary said that in accordance with Board action on July 27, 1981, he had requested that Mrs. Lane check in to whether the striking teachers of Missoula County High School would be entitled to a full year of service due to the fact they did not complete the full school year. Mrs. Lane then addressed the Board and based on the reading of the statutes, and the retirement board rules 2.44.401 and particularly based on the fact that the teachers were not credited with a full salary or with full contributions, she is of the opinion that they should be granted only a fractional year of creditable service when they did not give a full year of service or time. Mrs. Lane said that she had prepared a memorandum and presented the same to the Board. Copies were then distributed to each Board member. Dr. Wenaas then asked what a fraction of the year it was and the Executive Secretary said that they worked 168 days. The Executive Secretary said that according to information he had received, they were paid 168/187ths of their salary. He further added that if we credit service on the basis of 168 over 180, they would receive credit of .93 years of service. Mr. Burke then asked if it took a motion to adopt the memorandum and Dr. Wenaas said that it was a legal opinion and it probably should. Dr. Wenaas then moved that in accordance with the opinion we implement it in the manner stated. The motion was then seconded by Mr. Burke and passed unanimously.

The Executive Secretary said he also wished to point out that according to law, the average final compensation is the average of the three (3) highest consecutive years of full-time salaries, which yield the highest average; and if the 1980-81 school year is not a full year, anyone who retires as of July 1, 1981 will have to use the salaries paid from 1977 - 80 as average final compensation. He further added that it only applies to teachers who retire this year because there is also a section which states that the earned compensation of a member who had less than three (3) consecutive years of full-time service during the five (5) years preceding his retirement is the compensation, pay or salary which he would have earned had his part-time service been full-time service. In other

20

words, teachers who retire at the end of the 82-83 year would be allowed to use the 1980-81 school year as a full-time salary because they would not have three (3) consecutive full years salaries in the last five (5) of their employment.

The Executive Secretary stated that he would like to request that Mrs. Lane stay and asked the Chairman to consider Item F of old business as the next order of business. There was no opposition and the Chairman asked the Executive Secretary to explain. Mr. Johnson said that Harold Rose', of Montana State University, is protesting the Board's decision to give service credit for 8th quarter leave rather than adding it to the final years salary. Mr. Rose' requested that the Board reconsider at their last meeting and his request was denied. Subsequently, Mr. Rose' has engaged an attorney and the attorney, after examining the minutes, the law and our administrative rules, has prepared a four (4) page letter. Copies of the letter were then distributed to each Board member. The Executive Secretary said that the attorney's basic contentions are that the Board engaged in rule making procedures without advising the interested parties and the notice required by state statutes. The decision is also contrary to state law in regards to the definition of earned compensation. Mr. Sommerfeld, the attorney, further states that the amount paid as 8th quarter leave is clearly earned compensation and must be included for anyone retiring prior to August 1, 1981. Mr. Sommerfeld concluded his letter by asking the Board to reconsider their previous decision. Dr. Wenaas said that there was involvement by MSU representatives and asked if this satisfies the requirements? Mr. Argenbright asked if the \$19,000 would be on top of his regular contract and Mr. Johnson said yes. Mr. Argenbright said this would really inflate his benefits. Discussion followed and it was generally agreed that the letter deserves legal study and the Board directed the Executive Secretary and Mrs. Lane to report back to the Board at their next meeting. At this point Mrs. Lane elected to leave the meeting. She was thanked by the Board for her time and effort.

The next item on the agenda was Mary Jane Honey. Mr. Johnson said that she had applied for disability benefits and her application was considered by the Board at the July 27th meeting. The Board rejected her application and asked for additional medical information. Mrs. Honey was sent this information and subsequently decided to withdraw her disability application and elected to apply for an early retirement.

Chairman Corbin then asked the Executive Secretary for his report on the NCTR convention in Boston. The Executive Secretary then reported on the general sessions and workshops he had attended. He said he felt it was a particularly good meeting from the standpoint of the address on the economy and that the workshops were of particular value in that administrative problems were discussed and what the states are doing to solve these problems. He added that Representative Pickle of Texas, chairman of the ways and means sub committee on Social Security, gave an interesting talk.

Representative Pickle emphasized that there were short-term and long-term problems that need solving and although congress is addressing the short-term problems, they have to be convinced that the long-term problems must be addressed.

Chairman Corbin then asked Mr. Kearns if he had anything to add and Mr. Kearns said he would bring his comments to the next meeting as he had left his prepared comments at home. He added that in lieu of what Mr. Johnson said about the economy, he cautioned that it was only one economists opinion and is not necessarily the right one and in these times, his words to the Board would be to be fairly conservative.

The next item on the agenda was that of Howard McCrodden. The Executive Secretary said that this was a disability that apparently the Board approved in 1977 but the legislative auditors could find nothing in the minutes. He gave the medical history of the member and said the member later died of his disability and was simply asking the Board for official approval of the disability to satisfy the auditors. Mr. Kearns moved that the disability be approved, which was seconded by Mr. Burke and passed unanimously.

Mr. Corbin then mentioned the article in the paper concerning cost-of-living benefits and the article had to do with the dissatisfaction of a P.E.R.S. member with the recent raises granted by the last legislature. He asked the Executive Secretary if he had heard anything from the capitol on this. Mr. Johnson said that apparently the pensioner was advocating a pay-as-you-go system and that interest income should be utilized to grant adjustments in retirement benefits. Dr. Wenaas questioned whether this was a viable alternative and the Executive Secretary said that all revenue currently being received is used to fund normal costs, as well as our unfunded liability. He said that Social Security is a good example of the pay-as-you-go system, and the problems that result.

Mr. Kearns then asked about the article in the Phi Delta Kappan, a copy of which was distributed to each Board member. The Executive Secretary said that he had showed the article to Alton Hendrickson and that we had ordered a copy of the report from which the article had been excerpted. The article basically states that there are 18 state teacher systems that could be in financial trouble in the future and that Montana was named as one of them. Dr. Wenaas questioned whether this had to do with the same information he had received and added that he had received some inquiries from some administrators. The Executive Secretary said yes, it had to do with the same article and that he felt it was premature to comment until we had received a copy of the Rand report. He said that when the copy arrives he will give it to Mr. Hendrickson for his comments, possibly at the next Board meeting, if the actuarial valuation is completed at that time. He added that the reason we have actuarial valuations every two years is to determine the actuarial soundness of the System. The article apparently refers to the fact that local governments may have problems in making retirement contributions

in the future and, the systems would not realize the revenue anticipated in valuations. Mr. Ryan indicated he had brought this up at a meeting with the people most influential in his PDK chapter and that they were going to do some research on this.

Chairman Corbin noted that the next item of business was retirement and survivor applications. There were no questions and Mr. Burke moved that both the regular retirement and survivor benefits be approved. Mr. Kearns seconded the motion and it passed unanimously.

The next item considered was the disability applications.

The first application was that of Ann Francis of Butte. Mr. Kearns moved that the Board approve the application and this was seconded by Mr. Ryan. Motion carried unanimously.

The next disability application was that of Victor Hehn. The Executive Secretary read the physician's report and Dr. Wenaas moved that the application be approved. The motion was seconded by Mr. Kearns and passed unanimously.

The application for Wilbur Layman was next considered and the physician's statement read to the Board. Dr. Wenaas questioned whether lower back problems was sufficient grounds for a disability. Chairman Corbin added that a member is required to undergo an annual disability review. Mr. Burke said that in view of the physician's statement he didn't see how it could be approved. Dr. Wenaas moved that the application be denied on the grounds it appeared to be of a temporary nature; but if additional proof could be provided that it was permanent, the Board would reconsider the application at their next meeting. Mr. Burke seconded the motion and it was passed unanimously.

The next item of business was setting the next meeting date and January 15, 1982 was selected.

The Board then discussed the dormant accounts and what further action could be taken to reduce the number. The Executive Secretary felt that the Department of Revenue would be the best source of information. The Board felt that whatever action is necessary should be taken.

Mr. Kearns then moved that the meeting be adjourned and Mr. Burke seconded the motion. Motion carried unanimously.

<u>RETIREMENT APPLICATIONS - AUGUST, 1981</u>	<u>AMOUNT</u>	<u>AGE</u>
Averett, Therrill S.	\$1,546.88	57
Dillon, Jean L. (Retroactive to 7/1/81)	276.74	57

RETIREMENT APPLICATIONS - AUGUST , 1981
(cont)

	<u>AMOUNT</u>	<u>AGE</u>
Fowler, Hazel G. Retroactive to 7/1/81)	\$ 737.60	65
Honey, Mary Jane (Retroactive to 7/1/81)	422.65	56
Jones, Helen M.	343.07	55
Juergens, Carabel (Retroactive to 7/1/81)	393.77	63
Matosich, Steve M. (Retroactive to 7/1/81)	1,038.76	57
Peterson, Wenonah R. (Retroactive to 7/1/81)	450.11	58
Roalkvam, Floyd	360.42	55
Roosma, Minne (Retroactive to 7/1/81)	725.12	62
Rusunen, Eloise (Retroactive to 7/1/81)	872.35	64
Smiley, Shirley E.	56.00	55
Thompson, Helen R.	743.60	65

SURVIVOR BENEFITS - AUGUST, 1981

Jovanovich, Mariah W. (Survivor of Keith C. Jovanovich)	100.00	1
--	--------	---

DISABILITY BENEFITS - AUGUST, 1981

Davidson, Harold	927.53	53
Myxter, Morris A.	1,146.43	62

RETIREMENT APPLICATIONS - SEPTEMBER, 1981

Cebull, Edward A.	1,350.89	62
Fleharty, Eva	474.08	55
Grovenstein, Sidney L.	680.77	55
Langdon, Richard S. (Retroactive to 7/1/81)	326.32	58

Memorandum

TED SCHWINDEN
GOVERNOR

TO: F. Robert Johnson, Administrator
Teacher's Retirement Division

FROM: M. Valencia Lane
Staff Attorney

DATE: October 8, 1981

SUBJECT: CREDITABLE SERVICE FOR STRIKING SCHOOL TEACHERS

You have asked whether Missoula high school teachers who went on strike in early May, 1981, should be granted a full year or fractional year of creditable service for the 1980-81 school year.

It appears clear, from a reading of the statutes and rules relating to the teachers' retirement system, that the striking teachers cannot be credited with a full year of service for the 1980-81 school year but must be credited with a fractional year based on the ratio of the total number of days they worked to 180.

Section 19-4-101, MCA, defines "full-time service" to mean service which is full-time and which extends over a normal academic year of at least nine months. "Part-time service" means service which is less than full-time or which totals less than nine months in any one year. Part-time service must be credited on a prorata basis. Section 19-4-204, MCA, provides that it is the Board's duty to adopt policies for the determination of creditable service. Pursuant to its rule-making authority, the Board has adopted section 2.44.401, ARM, which provides that the fraction of a year credited for substitute work or part-time employment shall be a ratio of the total number of days worked to 180.

It is my understanding that the striking teachers received pro-rated salaries for the 1980-81 school year and that the employer deducted and forwarded to the Teacher's Retirement Division less than the usual full contribution based on the prorated salaries.

It appears clear, from a reading of the above-discussed statutes and rules and taking into consideration the prorated contributions, that the Teacher's Retirement Division cannot credit the teachers with a full year credit for the 1980-81 school year. It is an established principle of labor law that an employer is not required to finance a strike against him and can withhold pay and other economic benefits from strikers although on

Mr. Johnson
Page 2
October 8, 1981

termination of the strike, the employer cannot discriminate between strikers and nonstrikers without a legitimate business justification. This is a matter of labor law; and whether salaries were properly paid is a matter to be resolved between the teachers and employers. The Teacher's Retirement Division can only credit service based on information supplied by the employer. The question before the Teacher's Retirement Division is how to credit service to the striking teachers. In order to receive retirement benefits under the law, the members must contribute both time and service. It would be obviously inequitable to allow striking teachers to earn credit for time when no services were provided.

Based on the statutes and rules and the fact that striking teachers were credited with prorata contributions to the retirement funds by their employer, it is my opinion that the teachers should be credited with a fractional year of creditable service based upon the ratio of the number of days worked to 180.

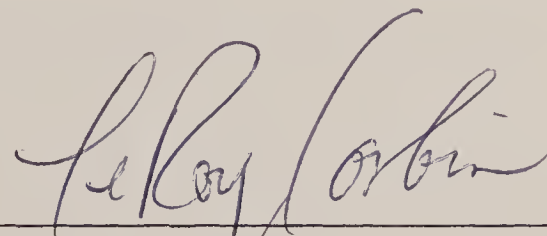
po

SURVIVOR BENEFITS - SEPTEMBER, 1981

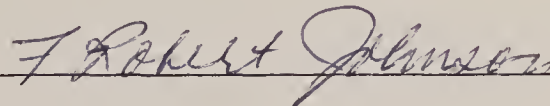
	<u>AMOUNT</u>	<u>AGE</u>
Stecher, Marion B. (Survivor of Peter J. Stecher)	\$ 462.61	65
Sullivan, Rose (Survivor of Neal G. Sullivan)	937.63	61
Toole, Joan T. (Survivor of Kenneth Ross)	1,155.30	58

DISABILITY BENEFITS - SEPTEMBER, 1981

Giebink, Gilbert G. (Retroactive to 7/1/81)	441.75	65
--	--------	----



LeRoy Corbin
Chairman



F. Robert Johnson
Executive Secretary

EXECUTIVE SECRETARY'S REPORT

JANUARY 4, 1982

Revised handbooks of information were distributed to all members since the last meeting. This handbook includes all of the legislative changes passed in the last session.

We are currently in phase four of the nine phase study of the new computerized membership accounting system. For the past three weeks Mary Andridge and sometimes, Marjorie Rowley have been working at least one hour every day with two system analysts from Information Systems Division. Phase four is scheduled for completion in late January. Tentative implementation of the system is July 1983.

The roof of the building has been repaired for leaks and while the repair work was being done, it was noticed that there was a crack in one of the skylights, so we are accepting bids for replacing the skylight. The estimated cost is around \$250.00. We have also had some painting contractors visit the office to submit bids for painting the interior upstairs and lower level, of the building.

As was mentioned in the last report, our administrative assistant, Cheri Zagurski, resigned and at that time we were considering a replacement. We promoted an accounting clerk, Vicki Hoff, to the position and filled Mrs. Hoff's position by promoting Janine Voth, who was working as a general office clerk. Dan Morton who had been working for the Merit System was hired to replace Miss Voth.

At the last board meeting, the Board requested that letters be sent to all educational agencies advising them of the availability of board members and staff to attend their meetings. As a result of these letters we received a request from the Hi-Line principals to give a presentation and Mary Andridge traveled to Havre on December 1. We also have received an invitation to give two sectionals at the state convention of elementary principals in Lewistown on January 28, so we have had some feedback from our letters. I traveled to Miles City on October 20, and gave a presentation to about 35 active and retired members of that area.

The Legislative Auditor has advised that they will hold a financial compliance audit for the 80-81 and 81-82 years. This is quite a bit earlier than we had anticipated and they are expanding their audit to include the administrative claims. Prior to that, only the benefit claims had been subject to the audit procedure. They jokingly (I think) indicated that this expansion is to add "bulk" to the audit report.

35

TEACHERS' RETIREMENT BOARD MEETING

JANUARY 15, 1982

The meeting was called to order at 9:30 A.M. by Chairman Corbin. Those present were:

Chairman LeRoy Corbin
Ed Argenbright
James Burke
J. William Kearns, Jr.
J. Thomas Ryan
Dr. Harold Wenaas
Mary Andridge
F. Robert Johnson

The minutes of the meeting October 9, 1981 were approved on a motion by Mr. Burke and seconded by Dr. Wenaas. The motion passed unanimously.

The next item of business was the investment, mortgage, financial and budget reports. The Board commented that the mortgage delinquency report was in pretty good shape, but that the list would probably get bigger. Mary Andridge gave a report on those mortgages three months or more delinquent. Mr. Burke moved that the reports be approved and the motion was seconded by Mr. Kearns. Motion carried unanimously.

Chairman Corbin then noted the agenda included a letter from the Butte Teachers' Union and just wanted to state that it is his feeling that something should be done about investing retirement funds within the State of Montana whenever possible. Dr. Wenaas commented that the Board has a fiduciary responsibility to its members to obtain the highest yield possible from quality investments. Considerable discussion ensued concerning the advantages and disadvantages of so-called social investing and the fact that there is growing interest within the State of Montana to try and keep pension money invested within the State. Chairman Corbin added that he has been asked by the Montana Federation of Teachers to talk this matter over with the Governor, not as a representative of the Teachers' Retirement Board, but as a teacher and a Board member. He said he wouldn't be providing any Board direction, but simply addressing the resolution adopted by the MFT.

The next item for consideration was the Executive Secretary's Report. The Executive Secretary stated that the office is currently in a state of disarray due to the interior painting. He also wanted to call attention of the Board regarding the personnel changes mentioned in the report. At this point in time Mr. Alton Hendrickson, actuary for the System, was admitted to the meeting. The Executive Secretary's Report was then accepted by

the Board and attention shifted to the actuarial valuation.

Mr. Hendrickson stated that it was his intention to present the Board the complete valuation, however, when he submitted a preliminary copy, the Executive Secretary had questioned the accuracy of the salary data used in the valuation. This was then checked and found that a program written in 1975 to extract the information from the state computer had resulted in a great deal of the salaries being overstated to the extent of 20%. He further added that he is confident the error came about as the result of developing a method to annualize part-time salaries, and unfortunately, the formula developed resulted in overstating all salaries for individuals who were employed for less than 12 months of the year. The past three valuations, therefore, have included overstated salaries, and the net effect of this is that although it results in a decreased unfunded liability, the value of future employee-employer contributions also decrease. Mr. Kearns then asked what the overall effect of the error would be in this valuation and Mr. Hendrickson said that at this point in time he did not know exactly but was estimating that the amortization period of the accrued unfunded liability would increase approximately four years. He stated that although the liability for active members decreased, the liability for retired members remained unchanged, therefore, the required rate of contributions increases. The Board then asked if it would be wise to ask the next legislature for an increase in contributions? Mr. Hendrickson said that is a possibility but that these situations have occurred in the past and possibly the Board may want to defer any action until the 1983 valuation. He said it would also be his recommendation that the Board may wish to schedule a special meeting when the final report is issued within the next week or so. Chairman Corbin said that his concern is how many more errors might be out there and how do we prevent it. Mr. Hendrickson assured him that all data provided is checked and re-checked and they are using programs that are proven to be accurate. The problem with the salaries was that when the information was put on the computer, we started with an incorrect base and the increases reflected have been just what was anticipated, therefore, it would have been a very difficult error to find. He said the State uses a different computer language than he is familiar with. He further added that now that this information is on his computer, they now have time to look more closely at the data. He said the data provided is much cleaner due to a determined effort by the System to correct deficiencies.

Mr. Hendrickson then referred to his memorandum and stated that one thing they always look at is the assumptions. Assumptions should not be changed unless it is really something significant and important and he wishes to state that the rate of disability and the number of people retiring has been larger than assumed. By modifying the assumptions, there would be very little change in the overall cost and he was asking for the Board's decision. Another factor is the rate of withdrawals has been less than anticipated and he would recommend that these be adjusted to more accurately reflect the actual experience of the System. By changing these assumptions and taking into account the salary error, the amortization period

would probably increase. Mr. Hendrickson said his firm was also concerned about the additional time this has taken and the fact that their bid to conduct the valuation did not take into account the magnitude of additional work the error in salaries created, that he is requesting consideration by the Board for additional money. After considerable discussion on this matter the Board informed Mr. Hendrickson that this would be negotiable. The Board agreed that the valuation should reflect the new assumptions and that a special meeting would be set to review the valuation.

The Rand Report was the next item of discussion and Mr. Hendrickson said that he was deeply disturbed over their statement on something they can't possibly draw a relative conclusion on. He said there was some positive points in that they point out the difficulty in making comparisons of unfunded liabilities. Montana's unfunded liability is high because we offer good benefits and because our actuarial assumptions are right up-to-snuff. The report itself was then discussed extensively by the Board and it was decided that the Board should adopt a position on the report and directed the Executive Secretary to prepare a statement for consideration at the next board meeting. The board also felt that the statement should be generally circulated to the membership in various educational agency newsletters. The meeting was then adjourned for lunch.

The meeting was called back to order at 1:30 P.M. and the Executive Secretary informed the Board that John Bobinski, attorney for the Department of Administration, was here to meet with the Board on legal matters included in the agenda. Mr. Bobinski was then admitted to the meeting and the case of Dr. Harold Davidson was discussed. The Executive Secretary explained that Dr. Davidson had submitted an application for disability benefits which the Board approved at their July 1981 meeting. He explained that our law provides that a person who is disabled during a contract year is eligible to use the earned compensation or salary the member would have earned during the school or contract year. Dr. Davidson's contract was from June 1 to June 1 and he was disabled on June 6. We used the 81-82 salary he would have earned plus the actual compensation paid for unused vacation and sick leave. Dr. Davidson contends that we should use the sick leave and vacation he would have earned during the 81-82 year. The Executive Secretary pointed out that this has never been done for any previous disabilities and the law has been administered that way since its effective date of July 1, 1977. The accrued sick leave and vacation he would have earned is a suspect figure since it assumes no sick leave or vacation would be taken in order to arrive at the figure, therefore, Mr. Davidson's request was denied and he is now appealing to the Board through an attorney, Barry L. Hjort. Mr. Hjort was scheduled to meet with the Board, but called to cancel his appointment.

Mr. Bobinski then stated that he and Mr. Johnson had reviewed the statutes and he frankly agreed with the Executive Secretary's decision. He further stated that he didn't think the intention

33

was to allow the Board to speculate on the amount of vacation time. Mr. Bobinski said that the Board can either seek an Attorney General's opinion on it or sit back and make them go to court over it. Mr. Bobinski suggested that it might be more advantageous to seek an Attorney General's opinion on the statute and get a stipulation that both parties would abide by the ruling. Mr. Argenbright said that this might be the best way to go. There was further discussion and it was moved by Mr. Burke that the Board meet with Mr. Hjort and then make a decision after that meeting. The motion was seconded by Dr. Wenaas and passed unanimously.

The next order of business was the Keith Jovanovich case. The Executive Secretary reviewed the case and Mr. Bobinski then explained to the Board the current status in which he agreed to dismiss the action without prejudice. Mrs. Jovanovich's lawyer then would refile in Miles City and sue Mrs. Kuchynka and the Board in a declaratory judgement law suit. The mandamous action brought by Mrs. Jovanovich against the Board will be dismissed and Mr. Bobinski said that he will go to Miles City and get an order from the court that will either make a monthly payment to the court or stop payment until the matter is resolved. In this way we can avoid a liability of a double payment.

The next item of business was the Harold Rose' case and Mr. Bobinski reviewed his written opinion with the Board. Mr. Bobinski stated that in his opinion the eighth quarter leave was a contractual payment and meets the definition of earned compensation and although not directly addressed in the Attorney General's opinion on sick leave and vacation, would be subject to the Attorney Generals' findings and should be included in the computation of final average salary in the calculation of retirement benefits. He said the Board could make Mr. Rose' take it to court but he felt the Board's position was weak. Mr. Bobinski also cautioned the Board about adopting a policy without a corresponding rule. The Board then discussed the pros and cons of pursuing the matter. Mr. Burke then moved that the Board adopt Mr. Bobinski's report which was seconded by Mr. Ryan. The motion was passed with Dr. Wenaas and Mr. Argenbright abstaining. The Board then thanked Mr. Bobinski and he left the meeting.

The next item of business was the investment report and the Executive Secretary called the Board's attention to page 14 which addressed the Teachers' Retirement System. Discussion then centered around a possible meeting with the Board of Investments to discuss the report, as well as their investment philosophy. Mr. Burke then made a motion that the investment report be made a matter of record. The motion was seconded by Dr. Wenaas and passed unanimously.

Private school service was the next item of business and the Executive Secretary said he was seeking some Board direction on recent legislation which allows a member to purchase up to five years of private school employment. He said he was seeking direction from the Board as to the definition of a private school. Mr. Argenbright said that the Board of Education had adopted a

59

rule that allows a private school to voluntarily seek a review of their program to see if they meet "basic education" and we might "piggyback" on that. Dr. Wenaas pointed out that it isn't the standard parochial schools we are concerned about. The Executive Secretary said we could take a very liberal stance and qualify everything. The question of private kindergarten then came up, as well as head start programs and parents teaching their own children in their homes and also schools like an auto college. Mr. Argenbright then suggested that a dispute can arise in these types of situations whether they are in violation of truancy laws and then using the Board of Education rule would go in and say, we have a complaint, are those youngsters in fact receiving a basic education. After a lengthy discussion Mr. Argenbright suggested that the Executive Secretary research this a little bit and report back to the Board at the next board meeting. He further suggested that he contact Rick Bartos, Rod Svee and John Voorhis of his office for assistance in that area. The Board then directed the Executive Secretary to report back at the next meeting on his findings.

The next item of business was the letter from the Butte Teachers' Union in which they were requesting consideration of teacher retirement funds for the Butte Vo-Tech Center. The letter was addressed to the Board of Investments and a copy of the Board of Investment's reply was distributed to the Board in their meeting packet. Chairman Corbin indicated that he had not heard anything on this lately. At this point, Mr. Argenbright asked to be excused and requested that, if possible, the Board consider setting the next meeting date. Mr. Kearns said that the Board of Investments is tentatively scheduled to meet February 19, and suggested that we meet on that day. The question then came up as to whether the special meeting would be limited to old business and it was decided to include anything which had come up at that time. It was then agreed that the meeting be tentatively scheduled for February 19, 1982. There was no further discussion on the letter from the Butte Teachers' Union.

Consideration was then given to designation of delegates to the National Conference on Public Employee Retirement Systems being held in Washington, D.C., April 4, to 8th. The Executive Secretary recommended that Mary Andridge represent the staff and requested that the Board elect a representative. He further stated that in accordance with the schedule requested by the Board that it would be Chairman Corbin's turn with Mr. Ryan, our newest member, also a consideration. Mr. Ryan said that if Mr. Corbin was free to go, that he should go. The Executive Secretary then said Mr. Ryan would be in line for the NCTR in Seattle in October. Mr. Kearns wanted to know if the schedule calls for alternating conferences so that the Board members do not end up going to the same conference. The Board then agreed without a motion that Mary Andridge and Chairman Corbin attend the NCPERS, April 4 to 8th.

The next item considered was the audit progress report. The Executive Secretary then briefly reviewed the audit recommendation

and commented on the action that had been taken. Mr. Burke then asked if there were any items in the audit report we weren't able to comply with. The Executive Secretary said that we had tried to comply with every recommendation within our budget limitations and resources available. He added that recommendations are sometimes made without regard to whether the available resources are there to comply with the recommendations. Mr. Burke suggested that we also give one more try to locate more of the inactive accounts. The Executive Secretary said that we found addresses for 1,262 out of 2,700 inactive members and since the letters have gone out we have probably processed about 400 refunds. Mr. Burke then said he felt good about the audit report and Dr. Wenaas agreed.

The letter from Jeff Tracy was the next item on the agenda. Mr. Tracy was questioning the propriety of certain investments from the standpoint of moral and social issues. Mr. Burke then made a motion that we write a letter back to Mr. Tracy and refer him to his local legislator because the investment policy is not under our control, but that we do appreciate his concern. Mr. Kearns seconded the motion and it passed unanimously.

Chairman Corbin asked if there was any more old business and Mr. Kearns said that at a workshop he attended at the NCTR meeting it was mentioned that one system prepared a list of the duties of the board. He suggested that maybe a list of this nature be prepared for this Board sometime in the future. The Executive Secretary said that the duties of the Board can be found in 19-4-201 MCA. Mr. Kearns added that in Idaho one of the duties was to review the investment policies and the Board might well consider this.

The next item of business was the regular retirements. Dr. Wenaas moved that they be approved and Mr. Burke seconded the motion. The motion passed unanimously.

Survivor benefits were next considered and Mr. Burke moved that they be accepted. Dr. Wenaas seconded the motion and the motion passed unanimously.

The disability application for Byron J. Courser was considered. Mr. Burke moved that it be approved and the motion was seconded by Mr. Ryan. The vote was unanimous.

The Executive Secretary stated that the next application was that of Wilbur Layman and that his application had been denied at the last meeting. Mr. Layman had submitted additional medical information and asked that his application be reconsidered. On the basis of the additional information Dr. Wenaas moved that it be approved, which was seconded by Mr. Burke. The motion carried unanimously.

The next application was that of Vernie Schaale and Dr. Wenaas moved that it be approved. Mr. Burke seconded the motion and it passed unanimously.

41

Chairman Corbin then noted that the next board meeting had been set for February 19, 1982.

Mr. Burke then moved that the meeting be adjourned which was seconded by Mr. Ryan. The motion passed unanimously.

<u>RETIREMENT APPLICATIONS - OCTOBER, 1981</u>	<u>AMOUNT</u>	<u>AGE</u>
Bengtson, Esther G.	\$ 256.45	53
Bowers, Helen L (Retro to 7/1/80)	654.63	60
Brabb, George J. (Retro to 6/1/80)	179.97	55
Britton, V. Crissey	271.07	52
Byrnes, Erwin C.	1,286.76	53
Graves, Ethel J.	97.58	55
Hardy, Harry G.	582.27	50
Hoffman, James D.	1,531.59	58
Lewis, M. Jeanne	147.02	55
Magee, Ruth M. (Retro to 9/1/81)	419.58	55
Newlon, William D. (Retro to 7/1/81)	731.93	61
Olson, Shirley L.	266.07	55
Previs, Arthur L.	50.93	51
Serrette, William A.	922.12	54
Shields, Margaret	765.12	66
Smading, Donald G.	81.66	52
Taber, Richard D. (Retro to 12/1/80)	458.37	60
Thornton, Dean D.	445.38	54

SURVIVOR BENEFITS - OCTOBER, 1981

Copenhaver, Edna I. (Survivor of Ernest Copenhaver)	316.35	60
Hardy, Thomas W. (Survivor of Aldean Hardy)	525.20	70
Kucynka, Rebecca J. (Survivor of Keith Jovanovich, Retro to 8/1/81)	207.76	33

DISABILITY BENEFITS - OCTOBER, 1981

Francis, Ann J. (Retro to 7/1/81)	862.28	51
--------------------------------------	--------	----

RETIREMENT APPLICATIONS - NOVEMBER, 1981

Clark, Beulah (Mrs. Bee) (Retro to 7/1/81)	104.80	70
Dye, Clarence C.	348.55	60
Feldman, Catherine (Retro to 10/1/81)	751.35	65

42
RETIREMENT APPLICATIONS - NOVEMBER, 1981
(cont)

	<u>AMOUNT</u>	<u>AGE</u>
Haller, Lyola R. (Retro to 7/1/81)	\$ 206.17	59
Hehn, Victor R.D. (Retro to 10/1/81)	415.47	65
Miller, Grace Porter	257.62	60
Thompson, Angeline D.	258.41	60
Zezula, Delmar S. (Retro to 7/1/81)	821.32	55

SURVIVOR BENEFITS - NOVEMBER, 1981

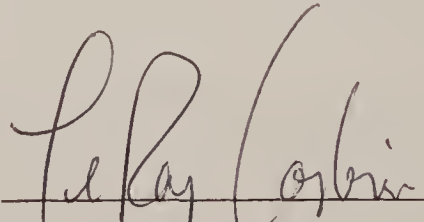
Noble, Gwenda L. (Survivor of Lee Roy Noble, Retro to 10/1/81)	48.83	23
--	-------	----

RETIREMENT APPLICATIONS - DECEMBER, 1981


Berg, June C. (Retro to 7/1/73)	63.72	59
Carter, Lark P. (Retro to 11/1/81)	1,253.35	51
Cole, Lucille Edwards	568.04	59
Counsell, Harriett F. (Retro to 9/1/80)	193.96	60
Domer, Bruce Leonard	50.30	50
Duncan, Bill C.	229.47	54
Hansen, Patricia Ann (Retro to 7/1/76)	144.11	55
Lutey, Nelson H.	325.38	60
Ness, Marion L.	160.00	60
Sarsfield, Margaret D. (Retro to 11/1/81)	891.09	66

SURVIVOR BENEFITS - DECEMBER, 1981

Depner, Dennis	212.54	34
Minor Children Benefits:		
Jami Jennifer Depner	100.00	5
Scott Thomas Depner (Survivors of Betty Jo Depner)	100.00	2



LeRoy Corbin
Chairman



F. Robert Johnson
Executive Secretary

SPECIAL MEETING
TEACHERS' RETIREMENT BOARD

FEBRUARY 19, 1982

Chairman Corbin called the special meeting to order at 9:30 A.M. Those present were:

Chairman LeRoy Corbin
Edward F. Argenbright
J. William Kearns, Jr.
J. Thomas Ryan
Dr. Harold Wenaas
F. Robert Johnson
Mary L. Andridge

Chairman Corbin said the main purpose of the meeting was to discuss the valuation but he first wanted to comment on the expanded report which included additional statistics, which were particularly interesting. He then turned the meeting over to Mr. Hendrickson. Mr. Hendrickson said he wanted to call the Board's attention particularly to the salary section which separated full-time salaries from part-time salaries. Dr. Wenaas asked Mr. Hendrickson to walk through the report with the Board. At that point in time Mr. Burke entered the meeting. Discussion of the report then continued centering around the unfunded liability of 402 million dollars and the fact that at the present rate of contributions, it would be amortized over a period of 48.50 years. Mr. Hendrickson added that if it were to be amortized over the recommended 40 year period the required rate of contribution would be 13.339% of salaries instead of the 12.619%. Mr. Kearns commented that he would like to see the Board set a goal of a 40 year amortization period. Mr. Hendrickson said that as they go through the report it will be seen why the period is that high and if the Board continues to adhere to their policy of not supporting changes unless they are adequately funded that this will tend to control it a little bit, but in a gentle way, just taking each piece of legislation as it comes up and requiring that each piece be funded over a 40 year period of time. Mr. Hendrickson then discussed the contribution rates and the factors which caused the unfunded liability to be amortized over a period of 48.50 years. Dr. Wenaas commented on the severance pay legislation and the fact that had nothing been done the amortization period would be well over 50 years. Chairman Corbin noted that the changes indicated in the report did not exactly calculate to the difference in the amortization period from the last report. Mr. Hendrickson said that it would be very difficult and a little bit artificial to pinpoint each factor that had an effect on the eventual outcome. Mr. Hendrickson commented on the better data and the fact that he had a better understanding of the data received which helps significantly in the results

of the valuation. Discussion continued on the salary section and it was generally agreed that sex distinction was not necessary in presenting the information since sex had no bearing on the benefits paid. The Board then discussed the possibility of asking the legislature for an increase in the contribution rate and that this should be a matter to consider when legislation is discussed. Mr. Argenbright mentioned the present disparity among school districts as to the amount of mills required to fund retirement costs. At this point in time the Board was advised that Mr. Barry Hjort was here to meet with the Board. Discussion continued on funding concepts and then Mr. Hendrickson concluded his remarks on the valuation. Dr. Wenaas then moved that the Board accept the report. Mr. Burke seconded the motion and the motion carried unanimously. Mr. Hendrickson then left the meeting and Mr. Hjort was admitted.

Mr. Hjort explained that he was here to represent Dr. Harold Davidson and he briefly reviewed Dr. Davidson's case and gave the Board some prepared information on behalf of Dr. Davidson. Basically, he said that they are requesting the Board to use the sick leave and vacation Dr. Davidson would have earned during the 81-82 academic year as earned compensation in computing average final compensation, since it is their position that this is what is set forth in the definition of earned compensation in 19-4-101(8) MCA. After questioning by the Board they discussed the possibility of asking the Attorney General for an opinion with the agreement that both parties abide by the decision. The Board then elected to go into executive session to discuss litigation and Mr. Hjort was excused. The meeting was then reopened and Mr. Hjort reentered. The Board advised Mr. Hjort that they would seek an Attorney General's opinion. Mr. Hjort said that he would have to contact his client but as far as he was concerned this was an acceptable solution. The Board then thanked Mr. Hjort for coming to the meeting and he was excused at this point.

The next item was new business and the Executive Secretary said that a couple of cases had come up in the last few days where individuals have been terminated by a school district and they have appealed the decision and won. In one particular instance an individual settled for about \$5,500.00, however, his contract would have been \$9,800.00. The question is do we give them creditable service for this payment and if so, how much? If the settlement was out-of-court, what is our legal responsibility? The Executive Secretary then suggested that we run this through our staff attorney and the Board directed him to have Mrs. Lane look at this and report back to the next board meeting.

The next item of business was the Rand Report and the Executive Secretary said at the last meeting, the Board had directed him to draft a possible statement that they might accept as a response to the report. He said that he had drafted a reply and passed the proposal to each board member for consideration. He said that it was certainly open for discussion and for any changes the Board sees fit. After some discussion about the statement

Mr. Burke moved that the Board adopt the statement. Dr. Wenaas seconded the motion and the motion carried unanimously. The Board then directed the Executive Secretary to send the statement to all interested educational agencies for distribution in their publications. Dr. Wenaas suggested that since the Board has adopted the statement, that it go out with Mr. Corbin's signature. Mr. Corbin consented to the suggestion.

Private school service was the next item on the agenda. The Executive Secretary said that at the last meeting the Board had directed him to do some research as to a definition of private school employment and that at Mr. Argenbright's suggestion he had met with three representatives from the Office of Public Instruction. He said he had a meeting and that some ideas for Board consideration came out of the meeting. These ideas were then discussed and Mr. Burke moved that these ideas or guidelines be discussed with the staff attorney. Mr. Kearns seconded the motion and the motion carried unanimously.

The next item on the agenda was a letter to M. Valencia Lane from the legal firm representing the MEA. The letter had to do with Mrs. Lane's opinion on creditable service to striking teachers in Missoula. The letter was discussed but since it was addressed to Mrs. Lane the Board did not feel that any further action need be taken.

The next item of business was the regular retirement and survivor applications. Mr. Kearns moved that the regular retirements and survivor benefits be approved. Mr. Burke seconded the motion and the motion passed unanimously.

Chairman Corbin then asked for suggestions as to the next meeting date. After some discussion about the possibility of scheduling a meeting with the Board of Investments, April 30 was selected.

Mr. Kearns then moved that the meeting be adjourned and Dr. Wenaas seconded the motion. The motion carried unanimously.

RETIREMENT APPLICATIONS - JANUARY, 1982

	AMOUNT	AGE
Gliko, Frank B.	\$ 825.31	62
Kelley, Christine, H. (Retro to 7/1/81)	236.90	68
Kettering, Warren C. (Retro to 9/1/81)	259.70	60
Kisling, Louis S. (Retro to 7/1/81)	207.18	61
Sanks, Robert L. (Retro to 10/1/81)	976.05	65
Sibert, Victor J.	364.13	60
Sperry, Mary K.	110.00	60
Trablik, Rebecca M. (Retro to 10/1/81)	461.89	54

RETIREMENT APPLICATIONS - JANUARY, 1982
(cont)

	<u>AMOUNT</u>	<u>AGE</u>
Veraldi, Louis W.	\$1,610.31	63

TAX-SHELTERED ANNUITIES - JANUARY, 1982

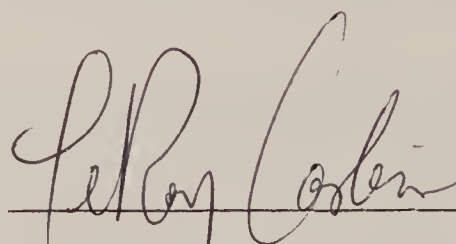
Cebull, Edward A.	1,000.00	62
-------------------	----------	----

RETIREMENT APPLICATIONS - FEBRUARY, 1982

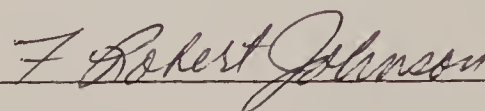
Craig, William J.	1,054.13	52
Cramer, Josie E.	259.93	58
Halverson, Gordon E.	966.16	63
Irish, Anna M.	111.78	60
Stayton, R. Nadine (Retro to 10/1/81)	189.41	54
Stedman, Reba Curry	775.55	69
Woldtvedt, Agnes T.	171.76	60

DISABILITY BENEFITS - FEBRUARY, 1982

Courser, Byron Joseph (Retro to 8/1/81)	282.52	33
Layman, Wilbur A. (Retro to 4/1/81)	589.92	52
Schaale, Vurnie L. (Retro to 10/1/81)	629.60	52



LeRoy Corbin
Chairman



F. Robert Johnson
Executive Secretary

Draft Statement For Rand Report

There have been various educational publications that have carried excerpts from a report issued by the Rand Corporation, which has listed Montana as one of 18 state teacher retirement systems which could have financial problems in the future. The report bases its findings on only two statistical items from the Teachers' Retirement System; the accrued unfunded liability and the number of members. The other data used is based on such information as declining enrollments, growth and increased competition for state and local taxes for future expenditures at the local and state level.

The Montana Teachers' Retirement System has and continues to be a sound financial system and is able to meet present and future obligations with its present funding structure.

The Teachers' Retirement Board has long adhered to a policy that it support only those benefit enhancements which are properly funded. This is probably the most important aspect raised by the Rand Report. As long as this policy is recognized and the current funding structure is preserved, the financial integrity of the System will be retained.

EXECUTIVE SECRETARY'S REPORT

APRIL 19, 1982

The Legislative Auditor's Office has completed their audit of fiscal year 80-81 and the first six months of 81-82. They expect to be back in either August or September to complete the audit for the last six months of FY 82. Our Accountant, Hank Whitaker, has been working some extra hours on the financial statements to come up with an acceptable format. Preliminary indications from the auditor's staff are that the report will be similar to the one in 1982 and that they have not found anything significantly wrong at this time.

The spring of the year always brings a lot of visitors and requests for retirement estimates, however, we do not anticipate any larger numbers of retirement applications than is normal.

The phase IV report on our computer system is running about a month late and the most important aspect of the study now is the projected costs. Costs could be quite high and possibly more than the budget director will allow. Original estimates were about \$141,000 for which we received an appropriation, however, it could take an additional \$95,000 to \$185,000 and it becomes questionable as to whether it is cost effective. This has been a particular problem with Information Systems Division in all of their studies with state agencies and the Department of Administration is looking at consolidating them with Computer Services Division. At the present time, they have just about priced themselves out of business. We may have to just implement what we can with the money already appropriated and then simply ask the legislature for additional funds to enhance some things.

The Personnel Division is again offering some training sessions and we will be sending Mary Andridge and Hank Whitaker to management-supervisory sessions, Karla Rinehart to a secretaries communication workshop and Mary Beth Waples, Account Clerk, to a session on clear writing skills for letters and memos.

Since the last meeting I have given presentations at the Deaf and Blind School, County Superintendents annual meeting, Montana Association of School Administrators, Eastern Montana College and conducted individual retirement counseling sessions with 15 teachers in the Billings School District.

TEACHERS' RETIREMENT BOARD MEETING

APRIL 30, 1982

The meeting was called to order at 9:45 A.M. by Chairman Corbin.
Those present were:

Chairman LeRoy Corbin
James Burke
J. William Kearns, Jr.
J. Thomas Ryan
F. Robert Johnson
Mary L. Andridge

Absent:

Edward F. Argenbright
Dr. Harold Wenaas

The minutes of the meeting January 15, 1982 and the special meeting on February 19, 1982 were approved on a motion by Mr. Kearns and seconded by Mr. Burke. The motion passed unanimously.

The next item of business was review of the financial statements, budget report, investment purchases and the mortgage delinquency report. The Executive Secretary noted that the number of delinquent mortgages had increased. Some discussion followed and Mr. Burke pointed out that most of the mortgages are FHA and VA loans which are insured. Mr. Kearns noted that the asset value was around 235 million. The Executive Secretary commented on the budget status saying he didn't anticipate any problems.

The Executive Secretary's Report was next considered and the Executive Secretary said that the Teachers' Retirement System is being reviewed by the Governor's Council on Management. This was not included in the report since the first contact was made subsequent to the writing of the report. He went on to say that Mr. McArthur of Pacific Power and Light would be the individual responsible for the review and that the end product would be a report of the Council's findings. Several Board members expressed an interest in the review and to be advised of their findings. Mr. Kearns expressed an interest to meet personally with Mr. McArthur if scheduling could be arranged. The Board then accepted the Executive Secretary's Report.

The next order of business was new business and the agreement with the Department of Administration and Natural Resources to landscape the present parking lot and provide parking in a lot fronting 6th Avenue when the Department of Natural Resources and Conservation Building is built. Mr. Burke felt that item 4 was a little wordy and should be changed to say the Board "will review, approve", striking the words "have the opportunity". The Executive Secretary felt that some firmer guarantee of parking should be indicated and

it was decided that a specific number of parking spaces, as provided by city code, should be specified. Mr. Kearns then moved that the two changes be made and Mr. Burke seconded the motion and the motion passed unanimously.

PERISA was the next order of business and the Executive Secretary said that Chairman Corbin had asked that this be placed on the agenda. Chairman Corbin said that this had been an item discussed at the NCPERS Conference and two people for each side presented their arguments. Chairman Corbin said that it was his observation that he doesn't think PERISA has any business being passed at this level and that the Board should consider sending a letter to our senators and representatives in opposition to the proposed measures. The Executive Secretary said that HR4928 and HR4929 have been introduced in the House, while two companion bills S2105, 2106 have been introduced in the Senate. He said the bills would basically require the reporting and disclosure of certain benefit, financial and actuarial information, as well as establish fiduciary standards and enforcement procedures. He then explained certain differences in the bills. Mr. Ryan was concerned as to where this type of legislation was originating and whether it had possible ties to eliminating the Railroad Retirement System. The history of PERISA was then discussed, as well as the pros and cons. Mr. Kearns moved that the Board be on record as opposing the measures and Mr. Burke seconded the motion. The motion then passed unanimously.

Legislation was the next item of business. The Executive Secretary asked the Board if they would like to have a meeting with the various educational agencies late this summer or early fall as we have done in the past or whether the Board would like to extend an invitation to the individual groups to meet with the Board at one of their regularly scheduled meetings. It was the consensus of the Board that a day should be set aside and that sufficient advance notice, along with a follow-up letter, should be sent to all of the education-related agencies. The Executive Secretary then said he had two matters for the Board to give consideration. One was to delete the mandatory age of 70 which is currently in the law. He said to the best of his knowledge the reason for the 70 mandatory age was because teachers could not be certified after age 70 but that the Attorney General had recently ruled that the law was invalid. The other item was possible legislation to allow a disabled member to earn more money in order to keep up with inflation. Present law limits the member to earning the difference between his annual benefit and the final average salary. Considerable discussion followed regarding the proposed changes and it was decided that the Board would take the items under advisement until the next meeting.

The next order of business was the disability review and the Executive Secretary reviewed the law that required the annual review. The first case discussed was that of Robert E. Singer. Mr. Singer earned in excess of that allowed by law in his

employment as a carpenter and ferry boat operator. He also pointed out that Mr. Singer turned 60 in February 1982 and would no longer be required to submit to a disability review. Mr. Burke then moved that under the circumstances, the Board should not reduce Mr. Singer's benefit. Mr. Kearns seconded the motion and it passed unanimously.

The next case involved Sharon Booth who received a disability in February 1979. Mrs. Booth had a psychologist complete the physician's statement and that he had indicated Mrs. Booth's condition was improved and could resume teaching immediately. We then contacted Mrs. Booth and advised her that her case would be discussed and suggested that she also have a medical doctor send a summary of her current condition. A letter was received from her physician and this was read to the Board. Mr. Kearns then moved that Mrs. Booth's disability be continued. Mr. Ryan seconded the motion and it carried unanimously.

The NCPERS Conference report was next considered and Mary L. Andridge gave a comprehensive report covering the areas of Reagan's economic policy, PERISA, economic trends, interest rates and comments from the various speakers, as well as the workshop she and Chairman Corbin attended. Chairman Corbin noted he was impressed with the members communications effort put forth by the Ohio Teachers' Retirement System. The Executive Secretary said that Ohio was one of the top systems in the country but was also one system which does not have Social Security for its teacher members.

Attention then shifted to the legal status report and the Executive Secretary said that he had asked M. Valencia Lane to attend the meeting and give a report on certain legal matters. Mrs. Lane had entered the meeting during Mrs. Andridge's talk on the NCPERS Conference. Mrs. Lane said she was here to respond to four or five memos requesting legal opinions and would briefly summarize her findings.

Mrs. Lane said she had been asked to prepare a request to the Attorney General for an opinion on Dr. Harold Davidson. She said that Dr. Davidson's attorney had contacted her in order to prepare a memorandum to support their position and that when this information is received she will write a cover letter for Mr. Johnson's signature requesting an opinion. The Executive Secretary asked Mrs. Lane what kind of time-frame we could expect and she replied that it can take as long as three months. Chairman Corbin then requested that he receive a copy of the request and the Executive Secretary said he would simply comply with the request.

The next situation dealt with Charles M. Neu who was wrongfully discharged by a school district and as a result received partial compensation from the district but was requesting a full year of creditable service. Mrs. Lane said in her opinion, Mr. Neu was eligible to receive a full year of credit but that the Teachers' Retirement System was entitled to receive both the employee and

employer contributions on the full contract salary. Mr. Kearns then moved that the Executive Secretary contact the school district requesting the employee and employer contributions on the full contract salary. Mr. Burke seconded the motion and it carried unanimously. Discussion then resulted as to what we could do to see that retirement concerns are addressed in these kinds of situations. It was decided that if we are aware of the situations, the parties involved should be reminded of the retirement service considerations.

Mrs. Lane then addressed the question of whether or not the Board has the authority to make rules interpreting what constitutes private service under the new law passed last session. She said under Section 19-4-201(1) MCA the Board does have rule-making authority and could adopt rules which would define private school service. She said that although the Board had some concern as to whether they might be narrowing the definition, she felt that was the whole point of the rule-making authority in order to take into account the fiscal and management responsibilities to the fund. Chairman Corbin asked how these rules could be formulated and Mrs. Lane suggested that we work with any rules the Board of Education or OPI has adopted and that Rick Bartos of the OPI might be of some help. She said she was willing to assist us in writing the rules. The Board then directed the Executive Secretary to take this approach.

Mrs. Lane said the last memorandum was whether group-life insurance in excess of \$50,000, the premium of which is partly or fully paid by the employer, is subject to the definition of earned compensation. She said that in view of the broad definition contained in the statutes that it does meet the definition and any amounts contributed by the employer in accordance with Section 79 of the Internal Revenue Code should be reported and contributions withheld. The Board discussed our responsibility as to making employers aware of this and the Executive Secretary said that if we adopt the report, memos would be sent to each employer. Mr. Kearns then moved that the report be adopted. Mr. Burke seconded the motion and the motion passed unanimously.

Chairman Corbin then suggested we invite the group supporting the University System proposal to the meeting and the group then entered the meeting. They were advised that Mrs. Lane was giving a report and would be finished shortly. Mrs. Lane then reviewed the Frank Kelly case and the Jovanovich-Kuchynka case in regard as to what has taken place. Chairman Corbin then thanked Mrs. Lane for the report as did the other Board members.

The Executive Secretary then introduced the Board members to the guests and asked that the individuals appearing before the Board introduce themselves. Those in attendance were Dr. Irving Dayton, Commissioner of Higher Education, William Johnstone, President of Eastern Montana College, Dr. James Cox, University of Montana, Professor William C. O'Connor, Western Montana College, Jack Noble, University System, James McGarvey, Montana Federation of

Teachers representing members from Northern Montana College and the University of Montana and Professor Donald R. Beurman of Montana Tech. The Executive Secretary said that Alton Hendrickson, actuary for the Teachers' Retirement System was also present.

Dr. Irving Dayton then made a brief comment in support of the proposal and said that Professor James Cox from the University of Montana, President of the Faculty Senate, would make the presentation and the others would simply add a comment or so.

Mr. Cox then thanked the Board for the opportunity to meet with them and explained that their proposal would allow an individual to make one-third of their final average salary rather than one-fourth plus whatever salary increases would be granted by the employing entity. He added that the current law does not fit the university academic year, nor is it enough money to provide a real supplement to a static retirement income in terms of runaway inflation. Inflation of 13 to 15% devalues their fixed quarter-time salaries each year. Mr. Cox stated that the proposal has been considered favorably at several campuses in the System. Mr. Cox felt that this proposal would be responsive to some particular needs of higher education, as well as elementary and secondary. He said their proposal would provide a bit of inflation protection and encourage early retirement which is so important in providing planning flexibility on our troubled campuses. Mr. McGarvey, William Johnstone, Professor O'Connor and Professor Beurman then added their remarks all in support of the proposal.

The Chairman then asked if there was anyone else that wished to address the Board and there being none, the Chairman asked Alton Hendrickson for his comments. Mr. Hendrickson stated that currently members are retiring in their early 60's and that these projections have been put into the actuarial valuation. The proposal as stated would tend to encourage people to retire early, which would obligate us to make an assumption that there would be a slight decrease in the average retirement age. He then read the last two paragraphs of his letter and concluded by saying he didn't know the effect upon 5,000 retired members and with approximately 300 retiring each year, only a small porportion come from the University System, therefore, we wouldn't expect many people to be taking advantage of this. The dollar amount would probably be minor because you wouldn't have a position for all 5,000 people.

Mr. Cox then said he was pleased to hear the dollar implications would be minor and we would hope to be able to convince the Board that educationally, for the University System, the benefits would far exceed the cost.

The Executive Secretary said there were some administrative problems in that some units don't even negotiate their contracts until late in the year or the following year and that Eastern Montana College is a classic example, therefore, to determine the amount a member can earn would cause some problems. Also, the proposal is not going to stop retirement groups from approaching the legislature

53

and asking for cost-of-living increases. This places the Board in a position to either support both types of legislation or make a priority decision and support one.

Chairman Corbin then noted that the Board has taken the view that if anything is going to change the unfunded liability, that it should be funded. He added that this is probably what the Board has to look at. He said he is in agreement with the premise but cautioned against any proposal which benefits a few people at the expense of the entire membership.

President Johnstone then asked Mr. Hendrickson if he was saying that the proposal could result in either a plus or minus cost projection. Mr. Hendrickson replied that there is definitely a plus cost factor, but the degree is unknown. Discussion continued concerning the merits of the proposal with some favorable comments from Mr. Burke and Chairman Corbin.

Chairman Corbin said that the Board is planning a legislative meeting in the fall and will be sending out correspondence to the different factions to come and discuss proposed legislation. The meeting would provide an opportunity to tie everything together.

The guests then thanked the Board for the opportunity to discuss their proposal and would be looking forward to hearing about the Board's legislative meeting. Mr. Johnstone was then assigned by the group the task of creating a survey for Mr. Hendrickson in order to arrive at some cost projections. The group along with Mrs. Lane and Mr. Hendrickson left the meeting at this point.

The next item was the regular retirements and survivor benefits. Mr. Burke moved that the regular retirements and survivor benefits be approved. Mr. Kearns seconded the motion and the motion carried unanimously.

The disability applications were next considered. The application of Mary K. Bivins was reviewed and physician's report was heard. Mr. Kearns moved that the disability be approved. Mr. Burke seconded the motion and it passed unanimously.

Mary E. DuBray's disability application was then discussed. Mr. Burke moved that the disability be approved which was seconded by Mr. Kearns. The motion carried unanimously.

Harry W. Torgerson requested that the Board consider changing his retirement from a regular retirement to a disability. He had included medical evidence that he was totally disabled at the time of his retirement. After reviewing the medical history, Mr. Kearns moved that Mr. Torgerson be placed on disability. Mr. Ryan seconded the motion and it carried unanimously.

The disability application for LeRoy Blixt was then discussed and because of the complexity of the case a complete medical

history was provided each member of the Board. After considerable discussion Mr. Burke moved that we grant the disability upon the condition that he be reexamined in six months, which would coincide with the next disability review. Mr. Kearns seconded the motion and the motion passed unanimously.

The meeting date for the next Board meeting was then discussed. Mr. Kearns moved that it be held in Great Falls on August 2, 1982. Mr. Ryan seconded the motion and it passed unanimously.

The Board noted that they were to have a joint meeting with the Board of Investments at 1:30 P.M. to exchange ideas and monetary philosophies. At this point Mr. Kearns moved that the meeting be adjourned, and Mr. Burke seconded the motion which passed unanimously.

RETIREMENT APPLICATIONS - MARCH, 1982

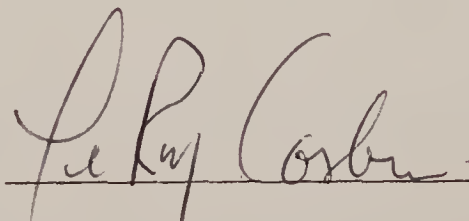
	<u>AMOUNT</u>	<u>AGE</u>
McEachran, Genevieve (Retro to 11/01/81)	\$ 242.87	65
Merkley, Don Richens (Retro to 01/01/82)	1,247.60	62
Miller, Adam William Jr. (Retro to 02/01/82)	101.07	55
Roberts, Everett W.	406.24	60
Zeller, Catherine M.	250.00	60

RETIREMENT APPLICATIONS - APRIL, 1982

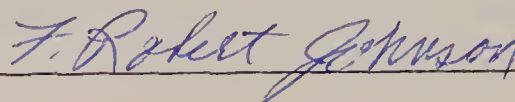
Thomas, Edward G.	326.01	60
Troyer, Agnes (Retro to 01/01/82)	458.36	68

SURVIVOR BENEFITS - APRIL, 1982

Gilmer, Beverly	847.49	47
Minor Children Benefits:		
Tamara Gilmer	100.00	15
Timothy Gilmer	100.00	17
(Survivors of Robert Gilmer)		



LeRoy Corbin
Chairman



F. Robert Johnson
Executive Secretary



57

EXECUTIVE SECRETARY'S REPORT

JULY 20, 1982

The hailstorm that hit on June 28 did considerable damage to the building. Six of seven skylights were demolished and as a result water poured into the building soaking the carpet along with some of our office equipment and papers on top of desks. The roof was pretty well hit and will probably have to be resurfaced. The General Services Division responded very well to our phone call and immediately had a couple of men over here to cover the skylights. The next day Karla Rinehart loaned us her wet-dry vacuum which enabled us to remove a lot of water from the carpet, but it is still showing stain marks and may have to be replaced. Two typewriters and a calculator had to be taken in for repairs. Some records left on desk tops were wet but after drying were still legible. A couple of our newly painted walls also have water stains.

As of the date of this writing we have processed 123 July 1, 1982 retirement applications. This compares to 212 a year ago and 145 two years ago. Last years large number has to be somewhat attributed to changing the termination pay calculations which motivated some to retire before the change. Also, the economy probably has a lot to do with keeping the number down this year.

Mary Andridge has been writing letters to our vested right members advising them that they are eligible for a monthly benefit. This is done annually, however, when the law was changed lowering the minimum age to 50 from 55 the number of eligible to receive the benefits significantly increased. We have been getting a good response from those letters.

We recently sent letters to County Superintendents along with a list of inactive accounts in which we asked for their assistance in locating these people. We have received excellent cooperation, particularly in the smaller counties. On June 30, 1981 we had 2,457 inactive accounts with a balance of \$1,707,560.99 while on May 30 of this year, we had 2,050 accounts and a balance of \$1,375,775.76. This is a 16.6% reduction in the number of accounts and a 19% reduction in the balance. A great number of the inactive accounts know their money is there and plan on returning to membership so they simply have elected to leave their money on deposit.

Our staff is currently working on year-end closing, and calling delinquent employers regarding late reports. Fiscal year end is probably our busiest time of the year, but we are keeping current.

TEACHERS' RETIREMENT BOARD MEETING

AUGUST 2, 1982

The meeting was called to order by Chairman Corbin at 9:00 A.M. August 2, in the boardroom of the administration offices of the Great Falls public schools. Those present were:

Chairman LeRoy Corbin
Edward F. Argenbright
James E. Burke
J. William Kearns
J. Thomas Ryan
Dr. Harold Wenaas
F. Robert Johnson
Mary L. Andridge

The minutes of the board meeting held April 30, 1982 were approved on a motion by Mr. Kearns and seconded by Mr. Burke. The motion passed unanimously.

Financial statements, budget report, and the investment report were next considered. Mr. Kearns questioned the 12.50% mortgage purchases as being a little low and Mr. Burke mentioned that because of the amounts of the principal balances, it would indicate that they were probably existing loans being refinanced. Mr. Argenbright asked about the \$140,000 computer system study. After a long discussion, the Board directed the Executive Secretary to make a report on the status and progress of the study at the next meeting. Mr. Burke then moved that the financial statements, budget report and investment report be accepted. Mr. Kearns seconded the motion. The motion passed unanimously.

The Executive Secretary's report was next considered and after discussing the hail damage and the reduction in the balance of the inactive accounts as well as the number of accounts, the report was accepted as a matter of record and part of the minutes. The Board members were pleased with the improved status of the inactive accounts.

The next item on the agenda was new business and reorganization of the Board. Mr. Burke moved that Dr. Wenaas be nominated for Chairman which was seconded by Mr. Kearns. Mr. Burke then moved that Mr. Ryan be Vice-Chairman and Mr. Kearns seconded the motion. The motion passed unanimously.

Chairman Wenaas then noted the next item of business was Lawrence Barsness and Robert Leo. The Executive Secretary explained that both are retired and that both had earned in excess of 25% of their final average salary and in accordance with the Administrative Rules of Montana, the monthly benefit was suspended for the month in which the 25% was exceeded and for each month

thereafter that they continue to teach. He said that both had repaid the amounts overpaid and that the University of Montana had written a letter stating that the overpayment to Mr. Barsness was an error on the part of the University and that the error had been corrected. Both wanted their benefits reinstated. After due consideration it was decided that the Board must apply the rules consistently and that if past retirees had their benefits suspended, we could not treat any similar cases any differently. Mr. Burke then moved that it be indicated in the minutes that because the University of Montana admitted making the error and it was out of Mr. Barsness's control that we reinstate Mr. Barsness, but that Robert Leo's benefit be withheld for the two month period. Mr. Argenbright seconded the motion. The motion carried unanimously.

The interest rate for 1982-83 was then discussed. The Executive Secretary said the current rate was 8% and that the Board by law has the responsibility to establish the rate. Discussion then followed as to who benefits from the interest rates. Dr. Wenaas asked what our yield was for 81-82 and the Executive Secretary replied that he had contacted the Board of Investments last Friday and they were unable at this time to give us that information. They did indicate that it should be over 10%. The Assistant Executive Secretary pointed out that the interest rate can vary in regard to the tax deferred annuities as opposed to the regular retirement accounts. Mr. Corbin then moved that the tax shelter interest rate be increased to 9% and the interest rate for active members remain at 8%. Mr. Kearns seconded the motion and the motion passed unanimously.

The next order of business was the selection of delegates to the National Council on Teacher Retirement in Seattle, Washington, October 3 - 8. The Executive Secretary stated that the Board has customarily sent the Executive Secretary and one board member and that he had prepared a schedule of the two conferences and the board member scheduled to attend on a rotation basis and alternating the two conferences to which we belong. Mr. Corbin mentioned that due to the proximity of this years convention that possibly more than one board member be authorized to attend. It was then noted that we had only budgeted for two people. Mr. Kearns mentioned that he attended one conference at his own expense with the System picking up the registration fee. Mr. Burke then moved that we follow the schedule and require Mr. Ryan and the Executive Secretary to attend the conference. The motion was seconded by Mr. Kearns and passed with a unanimous vote. Mr. Corbin then moved that if any additional board members wish to attend at their own expense that the System pay for their registration fees. Mr. Argenbright seconded the motion and the motion passed unanimously.

Old business was the next order of business and consideration of a rule for clarifying private school service as directed by the Board at their last meeting. Mr. Corbin expressed his concern that possibly more time should be taken to study the proposal in lieu of the number of people it could affect. Mr. Argenbright

stated that we are proposing a rule and if 25 people requested a hearing, a public hearing would have to be held. The Executive Secretary also said that the Board can hold a public hearing on the proposed rule if it so desires. Mr. Argenbright said that the method proposed is the normal procedure. Mr. Burke then moved that we follow the normal procedure which would be not to hold a hearing unless we receive at least 25 negative comments. Mr. Argenbright seconded the motion. The motion passed unanimously.

Chairman Wenaas noted that the next item of business was a letter from John Board, President of the Montana Education Association. The Executive Secretary said that the letter was to support the legislation proposed by the University System to allow an individual to earn 1/3 of their final average salary plus the salary increase granted to employees within that employing entity. A long period of discussion followed regarding the pros and cons of the legislation. It was then decided that the legislative meeting would be an appropriate time to discuss the issue and the topic was tabled until that time.

The next item of business was the agreement with the Natural Resources Board which was considered at the last board meeting. The Executive Secretary noted that at the last meeting the Board had requested two changes be made and the agreement had been amended to include those changes. They were to specify the exact number of parking stalls that would be provided the Teachers' Retirement building occupants and more positive language in item 4. Mr. Burke moved that the agreement be approved. The motion was seconded by Mr. Kearns and passed unanimously. The agreement was then passed to each board member for signature.

Chairman Wenaas was then called out of the meeting and Vice-Chairman Ryan assumed the chairman duties. The legal report was the next order of business considered. The Executive Secretary said that in the Jovanovich case, a pre-trial hearing was scheduled, for August 13, 1982, in Miles City, and at that time the attorneys would confer with the judge to decide whether it would be handled by briefs or a trial.

The Kelly case had the oral arguments presented to Judge Bennett and he had asked both attorneys for additional briefs. The briefs were filed, and since that time nothing has transpired, so they are awaiting word from Judge Bennett as to the next step.

The Attorney General has acknowledged receipt of our request for an opinion on Dr. Harold Davidson's request to include the sick leave and vacation pay he would have earned during the academic year in which he was disabled in the calculation of his retirement benefit. The Attorney General had assigned a member of his staff to study whether an opinion will be issued. At this time we are awaiting word as to whether an opinion would be written.

The next order of business was the Public Employee Pension Plan Reporting and Accountability Act of 1982 (PEPPRA), formerly known

as PERISA and Vice-Chairman Ryan deferred comments to the Executive Secretary. The Executive Secretary briefly summarized the PEPPRA bill and the fact that letters were sent to our representatives and senators as well as a follow-up letter which cited specific sections of the bill to which we are opposed. Mr. Corbin and Mr. Rayn said that they had made telephone calls also. Chairman Wenaas reentered the meeting at that point in time.

The Governor's Council on Management Report was next and the Executive Secretary explained that Morris Brusett had requested a draft copy be provided to all agencies within the Department of Administration and that the report was to be kept confidential since the final report to the Governor will not be available until October. The recommendation contained in the report was discussed and it was the general consensus of the Board that possibly a meeting with the Governor be arranged after the final report was issued.

Approval of applications and benefits was the next item of business. Mr. Kearns moved that the regular retirement and survivor benefits be approved. Mr. Corbin seconded the motion and the motion passed unanimously.

Disabilities were the next item considered and the first case was that of June Beck who suffers from a cerebro-vascular accident (stroke). Mr. Corbin moved that her disability be approved and the motion was seconded by Mr. Kearns. The motion passed unanimously.

The disability application of Patricia Jermyn was next reviewed. Mrs. Jermyn suffers from metastatic carcinoma of the breast. Mr. Argenbright moved that the disability be approved. Mr. Kearns seconded the motion and it passed unanimously.

Donald J. R. MacLennan who is afflicted with adeno cystic carcinoma was next considered. Mr. Kearns moved that the application be approved. Mr. Corbin seconded the motion and it passed unanimously.

The application for William George Penrod stricken with pre-leukemia was next reviewed. Mr. Corbin moved that the application be approved. Mr. Kearns seconded the motion and it passed unanimously.

Joyce Kessinger who suffers from carcinoma of the breast was next reviewed. Mr. Corbin moved that the application be approved with the stipulation that it be reviewed carefully when the member was subject to a disability review. Mr. Ryan seconded the motion and it passed unanimously.

The meeting date for the legislative meeting was next considered and it was decided that it be September 17 and that October 29 be the regularly scheduled meeting date. The Board also suggested that at the September meeting appointments be made to have pictures

taken for identification cards.

Mr. Ryan then suggested that a letter be drafted commending Mr. Corbin for his service as chairman and Chairman Wenaas also suggested that a copy of the letter be sent to Mr. Corbin's superintendent and board chairman.

Mr. Kearns then moved that the meeting be adjourned which was seconded by Mr. Corbin. The motion passed unanimously.

<u>RETIREMENT APPLICATIONS - MAY, 1982</u>	<u>AMOUNT</u>	<u>AGE</u>
Bennett, Dr. Robert L. (Retro to 08/01/80)	\$ 51.83	55
Crawford, Pamille M. (Retro to 10/01/81)	80.08	50
Foster, Barbara R. (Retro to 10/01/81)	274.31	54
Hanson, Dawn Frederick (Retro to 02/01/82)	554.22	59
Porro, Patricia J.	256.46	60
Tash, Dale R.	1,425.35	57

DISABILITY BENEFITS - MAY, 1982

Dubray, Mary E. (Retro to 07/01/81)	332.20	59
Robinson, John W. (Retro to 10/01/81)	54.03	54

RETIREMENT APPLICATIONS - JUNE, 1982

Brissey, Forrest Lee (Retro to 09/01/80)	163.99	60
Buchholz, Fred Sr. (Retro to 06/01/81)	398.34	60
Gough, Jr. James D. (Retro to 04/01/82)	656.26	53
Rehmer, Harold (Retro to 10/01/81)	390.44	53
Sheppard, Douglas Claire	105.00	60

DISABILITY BENEFITS - JUNE, 1982

Bivins, Mary Kathryn (Retro to 04/01/82)	624.27	43
---	--------	----

SURVIVOR BENEFITS - JUNE, 1982

Peterson, Arlys J. (Survivor of Richard J. Peterson)	967.84	51
---	--------	----

RETIREMENT APPLICATIONS - JULY, 1982

	AMOUNT	AGE
Alberda, Helen Erickson	\$ 650.35	63
Allen, Charles W.	697.20	55
Amundson, Elinor S.	355.26	63
Amundson, Leonard L.	643.05	61
Anderson, Beulah P.	384.07	63
Anderson, Dale E.	648.90	61
Anderson, Eunice M.	546.42	66
Anderson, Marie S.	88.87	60
(Retro to 02/01/77)		
Armstrong, Ida M.	188.61	59
Armstrong, James H.	816.62	60
Barnett, Robert J.	802.36	58
Baughman, Marilou J.	280.47	57
Beveridge, Charles L.	832.45	59
Bigelow, Alvin Z.	1,067.02	62
Black, Vera G.	148.15	70
Blevins, Attie M.	386.01	66
Boner, Edgar L.	1,012.78	62
Bourke, Jane M.	469.89	64
Brandt, E. June	183.84	65
Brisbin, C. L. (Clifford)	1,210.87	58
Buie, James M.	583.72	51
Clark, Flora E.	563.97	65
Clevinger, Clarence L.	1,126.44	59
Clute, Elizabeth	311.76	65
Conn, Jo Selvig	167.75	56
Cooper, Catherine L.	759.67	63
Cornelius, William C.	680.76	58
Coslet, Florence R.	778.62	62
Cromwell, Gardner	1,238.83	61
Curtis, Louise P.	340.32	57
Czernicki, Edward E.	68.04	55
(Retro to 10/01/81)		
Dahy, Edward John	131.09	52
Delaney, Donald E.	1,655.77	54
Devlin, LaVere	635.39	61
DeVoe, Norman W.	1,039.58	61
Dolan, Maxine B.	478.40	60
Doman, Darlene June	836.59	66
Dwello, Dwight G.	1,082.50	57
Dyk, Elizabeth R.	694.27	63
Egeland, Mabel G.	423.78	50
(Retro to 06/01/82)		
Enget, Catherine E.	433.81	66
Estes, Jr. Frank B.	1,026.14	60
Everhard, Robert L.	800.77	60
Everingham, Catherine B.	118.51	58
Fail, Dorothy B.	876.99	62
Fields, Robert W.	1,439.50	62
Fleming, Gladys M.	404.63	68
Forsyth, Paul R.	590.50	62
Fox, Donald A.	656.00	60
Fraker, Grace H.	593.87	61

<u>RETIREMENT APPLICATIONS - JULY, 1982 (cont)</u>	<u>AMOUNT</u>	<u>AGE</u>
Froehlich, Leo W. (Retro to 08/01/81)	\$ 47.25	55
Gies, Jean H.	590.61	61
Giesy, Russell D.	1,783.03	61
Hart, Neil W.	1,036.33	52
Hartz, Lora Mary	700.23	61
Harvey, K. William	1,511.05	54
Hays, Eva M.	485.60	69
Heller, Jeane	1,013.44	64
Helmer, Lawrence D.	718.43	55
Henningsen, Betty	805.10	62
Hicks, Marie L.	710.24	61
Holmes, Dora S.	464.76	65
Hubley, Earl V. (Retro to 01/01/81)	231.04	60
Hudson, Paul	1,029.71	62
Idland, Hazel C.	449.65	59
Johnstone, William A.	2,227.37	66
Jones, Lyle E.	968.89	64
Kallin, Betty Lou	706.44	62
Kallin, LeRoy	1,300.71	64
Kangas, Donald W.	771.54	56
Kennett, Betty	910.98	62
Keranen, Mary E.	297.83	62
Kosich, John J.	1,485.47	59
Kronberger, Hazel	946.67	68
Latimer, Evelyn R.	176.63	60
Leighty, Emily S.	681.77	66
LeProwse, Thomas A.	935.67	55
Lingel, Anna M.	305.12	55
Lipp, Norma J.	321.23	55
Lynch, Rose M.	876.24	64
McDonald, Robert D.	413.27	59
Malouf, A. Arline	215.72	63
Markuson, Barbara Ruth	716.50	66
Martinsen, Mary E.	732.77	62
Maschera, Ruth M.	506.17	62
Mickelson, Lloyd D.	932.59	51
Mills, Douglas E.	1,042.54	60
Mjeldge, Harriet M.	763.29	62
Moe, Seline L.	274.53	66
Montagne, John	1,415.20	62
Muskett, Albert J.	1,772.82	60
Neal, Ernestine	804.62	64
Nedds, Eldon	876.78	56
Negus, Milton K.	1,593.66	52
Norden, James L.	991.04	61
Oldenburg, Robert F.	1,056.96	60
Otter, Alda	799.08	65
Petersen, Alice E.	892.88	60
Peterson, Charles M.	598.47	64
Peterson, Lillian R.	893.22	62
Phillips, William H.	181.98	65

AGREEMENT

WHEREAS, the State of Montana, acting by and through the Department of Administration, is planning the construction of a new Department of Natural Resources and Conservation Building to be located as shown in the attached site plan; and

WHEREAS, the existing Teachers' Retirement Building occupies the southwest corner of the aforementioned site and thus will be adjacent to the proposed DNRC Building; and

WHEREAS, the existing employee parking and visitor parking for the Teachers' Retirement Building will be eliminated in the proposed plan.

NOW, THEREFORE, BE IT RESOLVED:

1. That seventeen (17) parking stalls in accordance with the City of Helena Zoning Ordinance shall be provided in the Sixth Street parking lot for the Teachers' Retirement Building as shown in the attached plan when construction of the DNRC Building is completed; and
2. That the existing Teachers' Retirement parking area will be landscaped consistent with the present grounds; and
3. That the Teachers' Retirement System will not be held responsible for any financial aspects of these modifications; and
4. That the Teachers' Retirement Board will review, approve and make comments to the Director of the Department of Administration concerning the final parking lot plans prepared by the Architect; and
5. That the final parking lot plans may not be modified without the mutual consent of both the Director of the Department of Administration and the Teachers' Retirement Board.

AGREEMENT SIGNED this 19 day of May, 1982.

Morris Brissett
Director, Department of Administration

Harold W. Evans
Chairman, Teachers' Retirement Board

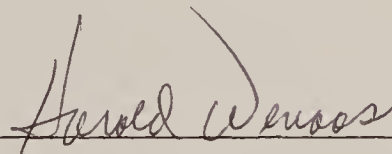
Member: J. E. Burke

Member: J. W. Miller

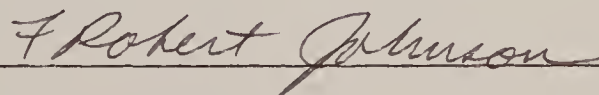
Member: LeVay Corbin

Member: John L. Ryan

<u>RETIREMENT APPLICATIONS - JULY, 1982 (cont)</u>	<u>AMOUNT</u>	<u>AGE</u>
Potoczny, Joseph	\$ 899.96	55
Ralston, Bertha E.	514.54	66
Ripley, Dorothy R.	558.54	63
Rogenes, Myron A.	854.23	52
Royal, Mary E.	1,046.30	64
Ryffel, Edna A.	132.86	60
(Retro to 08/01/78)		
Schmidt, Richard	1,196.49	56
Seelinger, Mary Elaine	624.81	62
Sharp, Lorraine	336.04	56
Shirley, James D.	808.28	63
Silver, Lona Belle	247.58	68
Simpson, James L.	786.81	62
Smith, Stanley S.	1,083.43	55
Snider, W. George	321.91	62
Sommerfeld, Ruth D.	957.86	66
Steele, Benjamin C.	1,037.46	65
Stevens, Harold F.	190.09	57
(Retro to 10/01/81)		
Stout, Gladys E.	718.06	62
Swan, Roy C.	856.42	59
Swan, Shirley L.	692.10	62
Swanson, Ronald L.	967.96	54
Taylor, N. J.	559.82	65
Thompson, Evelyn P.	409.44	61
Torgerson, LeRoy K.	1,212.86	60
Trees, Julia June	633.40	62
Tyvand, Olga C.	704.30	62
VanGorden, Charles R.	1,048.17	54
Vukad, Peter	1,005.63	63
Wallace, Gwendolyn S.	550.07	61
Ward, Edwin L.	834.41	63
Warner, Velma P.	857.02	61
Wild, John E.	1,314.00	61
Wonder, M. Lois	311.71	67
Zellick, George M.	1,018.17	62



Dr. Harold Wenaas
Chairman



F. Robert Johnson
Executive Secretary

TEACHERS' RETIREMENT BOARD

LEGISLATIVE MEETING

SEPTEMBER 17, 1982

The meeting was called to order at 10:00 A.M. on September 17, 1982 by Chairman Wenaas. Those present were:

Dr. Harold Wenaas, Chairman
Edward Argenbright
James Burke
LeRoy Corbin
J. William Kearns, Jr.
J. Thomas Ryan
F. Robert Johnson
Mary L. Andridge

Chairman Wenaas noted that the first item on the agenda was the Kelly case and at this point of the meeting Valencia Lane attorney for the Board entered the meeting. With Mrs. Lane was Joe Mazurek who was introduced to the Board by the Executive Secretary. Mr. Mazurek explained that he was there as an observer to sit in on the discussion of the Kelly case.

The Executive Secretary then provided some background on the Kelly case and advised Chairman Wenaas that Mrs. Lane would discuss the outcome with the Board. Mrs. Lane then said that the case had been pending for about 3 years and that in August, Judge Bennett gave his decision. She said that he ruled that the distinction between in-state private school teaching experience and not allowing teachers with in-state private school teaching to buy that time was discriminatory because under the Sullivan case, private out-of-state school teaching was allowed and the present law allowed public out-of-state teaching experience. Mrs. Lane then said that the wording in Judge Bennett's order made it harder to live with in that he stated that we should allow private in-state service on the same basis as public in-state service. She said she discussed this with the Executive Secretary and that since there are no limits as to the amount of public in-state service, yet for out-of-state service there were limits. She said that we had discussed the case with J. C. Weingartner, attorney for the other side regarding the possibility of asking Judge Bennett to amend his order and J. C. Weingartner has assured us that he will sign the stipulation and agree to go with Mrs. Lane to Judge Bennett and ask him to amend the order if Mrs. Lane would assure him that the Kelly ruling will not be appealed by the Teachers' Retirement Board. The stipulation simply requests that in-state private teaching experience be creditable on the same basis as private out-of-state experience. The same limitations, therefore, would apply, that being 10 years of experience for members prior to July 1, 1967, and 5 years for members after July 1, 1967. Mrs. Lane said

she also asked that it be provided that when respondents do purchase the service that we be allowed to charge interest on the same basis that we charge out-of-state service. Mrs. Lane said she felt J. C. Weingartner would agree to the stipulation and ask Judge Bennett to amend his order if we will abide by the decision. She added that she would recommend to the Board that they not appeal the decision. Discussion then followed as to the limits and the interest. Mr. Argenbright also questioned as to whether our pending rule on the definition of private schools would apply and the Executive Secretary replied in the affirmative. The Board further questioned whether we have a problem with verifying school employment and the Executive Secretary said that we do, particularly with those private schools that are no longer in existence and that the burden of proof is with the member seeking the eligibility to purchase the private school employment. The Executive Secretary said that the order would basically apply only to those members who were retired and denied the right to buy private in-state school experience and that they would be allowed to buy service at the employee contribution rate of their first full year's salary in the Montana Teachers' Retirement System. The last legislature changed the law to allow current members to buy private school employment, but at the combined employee-employer contribution rate of their first full year's salary in the Montana Teachers' Retirement System. Chairman Wenaas pointed out that this was another source of an unfunded liability. After further discussion, Mr. Burke moved that we don't appeal the decision but that we do ask for a change in the order so that it conforms to out-of-state service. Mr. Kearns seconded the motion and the motion passed unanimously.

Discussion then centered around publicizing the decision in regard to the resulting unfunded liability. Upon a question by Mr. Argenbright, the Executive Secretary said that we would have to allow a retired member to purchase the service and adjust the benefit retroactively to the time the member retired and that this was definitely a source of an unfunded liability. At this point of the meeting Sheryl Motl from the Director's Office of the Department of Administration entered the meeting as an observer and she was introduced to the Board. Mr. Argenbright suggested that rather than a press release, that we write each legislator advising them of the resulting cost to the System. Since the next meeting was scheduled for October 29, 1982, further discussion was tabled until that time.

The next item on the agenda was proposed legislation and the Executive Secretary said that the items on the agenda were topics that had been discussed at previous Board meetings and that they were intended for consideration only. Chairman Wenaas stated that as a Board member he would feel more comfortable if we did ask for an increase in employer contributions. The Executive Secretary said that possibly we should wait until the next actuarial valuation on July 1, 1983 as there are some indicators that may have a positive change in the valuation such as lower inflation, fewer retirees and lower salaries. Mr. Alton Hendrickson, actuary for the system then entered the meeting and

Chairman Wenaas advised him of the current topic of discussion and whether he had any comments. Mr. Hendrickson said that it would be delightful to have a 40 year amortization period and that he would be supportive of that. He pointed out, that with the number of factors that might change in the next two years, the percentage required might change and that with so many if's out there the figure might change. Because of the new data from the last valuation, he suggested that it would be nice to wait for another valuation to see the affects of what might happen in the valuation that would be completed in about a year from now. Chairman Wenaas stated that he is hesitant to sit on the thing for another two years and if we did wait he would want to be assured that the positive effects would offset this. Mr. Hendrickson said that he did not feel that it would be irresponsible for the Board to wait until the next valuation before any action would be taken and that because there are so many variables out there that it would be more responsible to wait and see what happens. Mr. Corbin said that maybe we could do something at this time to deal with the specific problem since we are aware of the requirements. Mr. Hendrickson said that he didn't honestly think the next valuation would show less than 48 years and the net affect will probably be no worse than it is now. Mr. Corbin said that at least the .72% increase can be substantiated as the result of the last valuation. Discussion continued on the pros and cons of seeking an increase. Chairman Wenaas then suggested that we sit on this until we hear what some of the other legislation may be. Mr. Hendrickson pointed out that the Board would be breaking new ground in asking for an increase in contribution rates to satisfy funding requirements. Chairman Wenaas suggested that it be an item on the agenda for the next meeting. Mr. Ryan then moved that it be discussed at the next meeting. The motion was seconded by Mr. Corbin and passed unanimously.

Mr. Hendrickson stated that he would like to write a letter to the Board on the matter of raising the contribution rate.

The next matter discussed was the University System proposal to allow a retired member to earn 1/3 rather than the present 1/4 of final average salary plus the normal salary increase granted to the regular faculty members. The Executive Secretary said that he was disappointed in that the University System had not provided any information to assist us in the calculation of the cost. Chairman Wenaas said that he would like to hear from Mr. Johnson and Mr. Hendrickson as to what they think of the proposal. Mr. Johnson said that his initial observations are that it is legislation which would only affect a few people and not beneficial to the entire membership. As to whether it will benefit the public school district, he suggested Dr. Wenaas could address that question. Chairman Wenaas said because of the different schedules involved that for summer programs, he would probably hire an active member rather than someone retired. He said that it does offer management more flexibility. Mr. Argenbright said that from a former administrators point of view, it could be attractive because of the current pressures

of the position which induce an administrator to get out early but that it does have a bearing on the long term cost to the fund. Mr. Hendrickson then stated that he felt it was going to cost the System just because it encourages early retirement, however, it can be offset by them picking up the cost. He said the present law certainly provides the opportunity to work after retirement. We also cannot foresee the problems or where it is going to lead and will it get out of hand? Mr. Burke said that it is simply another way to play games with the System. Mr. Hendrickson said that the System does have some built in incentives to retire early already. Chairman Wenaas pointed out that the one important issue is whether the University will fund the difference and whether it would be legal just to assess the University System for the cost. Mr. Hendrickson said it will be very difficult to determine what it is actually going to cost and whether we can legally charge the University System to encourage something they already have the right to do. The proposal would simply distort the actuarial assumptions. The Board then pointed out that the matter would be discussed during the afternoon meeting with the various groups and went to the next item on the agenda.

Deleting the mandatory retirement age of 70 from the retirement law was next considered. The Executive Secretary stated that to the best of his knowledge, the reason for the mandatory age of 70 was because teachers could not be certified after age 70. The Attorney General had ruled that this could no longer be enforced, therefore, the law may precipitate a law suit for someone certified to teach but who would be ineligible for membership. The Executive Secretary said that it is also his understanding that the Age Discrimination in Employment Act passed by Congress in 1978 does allow a mandatory retirement age of 70 and there are still 18 state teacher systems that have a mandatory age 70, so it was not out of reason to have 70 as a mandatory age. Mr. Argenbright said that he could not deny a certificate. The consensus of the Board was that if an individual was capable of teaching at that age that they should be allowed to do so and also the retirement system should not have a mandatory retirement age since this should be a consideration of the employer and the employer should have the right to make the decision. After some discussion Mr. Argenbright moved that the discussion be tabled until the meeting of October 29, 1982.

Changing the definition of earned compensation was the next item of discussion and the Executive Secretary explained that the current law allows just about anything to be considered as earned compensation and does allow the employer to play "games" with salaries in the last 3 years of a member's service. He added that the current definition was one approved by the Board in 1977. There were 4 changes suggested for consideration if any changes were going to be considered. The Executive Secretary then reviewed each of the 4 changes. There was a lot of discussion concerning the different ways the employer could affect the earned compensation of a member particularly during the last 3

years of a member's employment. Mr. Corbin asked if the concept should be discussed at the afternoon's meeting and request input from the various groups as to ways to improve it. The Board agreed to table the discussion until the afternoon.

The next item considered was to change the amount a member on disability could earn. The Executive Secretary explained the current law and the fact that it does not allow for severe inflation periods, so the member who retired several years ago at a relatively low salary is limited to a smaller difference than those retiring at the present time. The Board agreed that the proposed change was fair. The meeting then adjourned for lunch to be reconvened at Room 104 of the State Capitol.

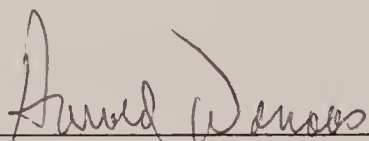
Chairman Wenaas called the meeting to order at 1:30 P.M. Room 104 State Capitol and then asked the representatives for input as to what legislation might be proposed by the groups represented.

The first proposal discussed was that of the University System which was led by Professor James Cox, Chairman of the University of Montana. Mr. Cox explained that it would be of great assistance to the University System as far as management flexibility and a cost savings to the University. Mr. Cox was followed by Jim McGarvey, Executive Director of the Montana State Federation of Teachers, Owen Nelson representing the Montana Education Association, Dr. Irving Dayton, Commissioner of Higher Education and Jack Noble also of the University System who all spoke in favor of the proposal. Jesse W. Long, Executive Secretary of the School Administrators of Montana said his organization would be in favor of the proposal as long as there was no actuarial cost to the System. After some questioning by the Board Jack Noble suggested that the University would help in financing any cost. Chairman Wenaas then directed the Executive Secretary and Alton Hendrickson, Actuary to come up with some cost figures and present to the Board at their meeting on October 29, 1982.

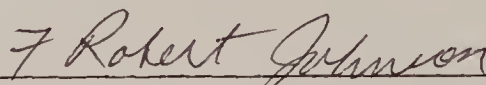
Chairman Wenaas asked Owen Nelson of the MEA if they had any proposals and Mr. Nelson said nothing definite at this time.

The Board then discussed with the group the legislative items discussed during the morning session and asked for any suggestions they might have. A discussion period followed and there being no further business the meeting was adjourned and the Board returned to the Teachers' Retirement Building.

The proposals of the afternoon meeting were then discussed for consideration at the regular meeting on October 29, 1982. The meeting was then adjourned on a motion by Mr. Kearns. Mr. Ryan seconded the motion and it carried unanimously.



Dr. Harold Wenaas
Chairman



F. Robert Johnson
Executive Secretary

EXECUTIVE SECRETARY'S REPORT

OCTOBER 19, 1982

The Legislative Auditor returned in September to audit the final six months of the 81-82 fiscal year. As of this date they have completed their work here and now will be drafting the report which will probably be released sometime in December. We have had no indication of any serious problems but undoubtedly there will be a few surprises in their recommendations.

One of our accounting clerks, Mary Beth Waples, grade 7, who processed our monthly reports and was responsible for depositing the contributions received resigned to accept a position with Mountain Bell. We were fortunate in being able to hire Joyce Zahn, one of our former employees who had been employed in that position, however, right after she came to work, she was offered a grade 10 with SRS. Mary Andridge and Hank Whitaker are currently screening 19 applications received.

In September I traveled to Plains to talk to all of their teachers regarding the benefits available from TRS. The Plains district was voting on whether to withdraw from social security and their superintendent wanted them to know what they might be giving up as well as what they would have if they withdrew. He also invited representatives from Social Security and the Public Employees' Retirement Division.

The MEA and MFT Conventions are scheduled for October 21-22 and we were invited by both to give a presentation on the same day, so I will be going to Missoula to attend the MEA Convention and Mary will be traveling to Butte for the MFT.

With the TEFRA legislation, it looks like we will be pretty busy trying to comply with the federal regulations. It is going to add new duties and additional expense particularly in the areas of printing and mailing costs. According to what we heard at the NCTR Conference, this is just the beginning of government intervention in public pension plans.

TEACHERS' RETIREMENT BOARD MEETING

OCTOBER 29, 1982

The meeting was called to order at 9:30 A.M. on October 29, 1982 by Chairman Wenaas. Those present were:

Dr. Harold Wenaas, Chairman
Edward F. Argenbright
James E. Burke
LeRoy Corbin
J. William Kearns, Jr.
J. Thomas Ryan
F. Robert Johnson
Mary L. Andridge

Chairman Wenaas noted that Morris Brusett, Director of the Department of Administration was present to meet with the Board, therefore, the order of business would be changed to new business, the Governor's Council on Management Report. The Executive Secretary then gave a brief history of the Governor's Council and the recommendation in the report to consolidate the Teachers' Retirement System with the Public Employees' Retirement Division. Chairman Wenaas then asked Mr. Brusett for his remarks in regard to the position of the Department of Administration on the recommendation. Mr. Brusett said this recommendation was discussed with the management council team as to the pitfalls and practicalities of the recommendation but based on the consensus of the team, their decision was that it should be done. In response to the Governor's Office and what the Department of Administration was going to do, was to conduct a study and as facilitator to go to the voters and employer groups and ask for their recommendations and if they want to pursue it, fine, but if not, the Department of Administration would not pursue it. Chairman Wenaas then stated that the teacher members, if he was reading it right, want the system to remain as it is. He further added that if a survey is requested we would be happy to survey the members as to their feelings, because after all it was their fund, but he felt there would be strong stands against it. Mr. Corbin mentioned that he brought the matter up to the Executive Council of the Montana Federation of Teachers at their recent meeting and it was brought up at the business meeting and they are geared to fight any legislation which would consolidate the two systems. He added that it is his feeling that the teachers do not want anything else but their own system. Mr. Ryan said that he attended a fall meeting of the Helena Retired Teachers of which about 100 members attended and one legislator mentioned that it would probably be discussed during the session and based on the comments he heard, it was his opinion that they wanted to maintain their identity. Mr. Argenbright said that from his point of view of what went on in the past and his experience as an educator, that he would oppose it on the grounds that we want to maintain our system and the separate identity. He added that it is a credibility factor and

we do have a credible system and that we would lose that if there was a merger. Mr. Corbin then asked what the process would be? Mr. Brusett said each department director is to respond to each of the recommendations whether they agree, to be implemented when, or if they are going to study it and when we expect to complete the study. He said they are addressing each recommendation seriously, that since the council volunteered their efforts, we are going to be very positive and attempt to respond in that manner. In some instances, they are going to say no we disagree, and if so, we have to document our reasons as to why we disagree. For the purposes of documentation, if we get a letter from the board and the PERS Board and member organizations that represent the teachers and ask them for their response and put it together, and assuming it is going to be an adamant, absolute "no" we would then say that it was under study and the responses returned indicate there isn't any support, we will say it is not feasible. If the responses come back positively, we would introduce legislation. The department is simply going to act as facilitator to reach the respective organizations and get a statement from them. Chairman Wenaas agreed that the Governor is duty-bound to seriously consider the recommendations, but that outside people do not always have practical solutions. Mr. Brusett said that they would work with Bob Johnson on identifying the groups and that it does not prevent the two retirement administrators from working together to promote some efficiencies in the two systems. Chairman Wenaas then thanked Mr. Brusett for his comments and Mr. Brusett left the meeting.

Chairman Wenaas then reverted the order of business back to the agenda and approval of the minutes. Mr. Burke moved that the minutes of the meeting of August 2, 1982 and September 17, 1982 be approved. Mr. Kearns seconded the motion. The motion carried unanimously.

Financial statements were next considered and the Executive Secretary reviewed the investment reports, budget report and financial statements for the periods June 30, 1982 and September 30, 1982. Mary Andridge gave a status report on the delinquent mortgages that were considered to be in trouble. Mr. Burke moved that the reports be approved. The motion was seconded by Mr. Kearns and passed unanimously.

Chairman Wenaas then asked the Executive Secretary to comment on the Executive Secretary's report. He said he forgot to include in the report that all of the repairs to the roof as a result of the hail damage had been made and the state insurance policy had covered the cost of the repairs. Mr. Corbin asked about the office equipment and the Executive Secretary said that they were covered. He also said that the accounting clerk position had been filled by Robert Liston, a handicapped person, and as a result, some modifications to the building would have to be made. He further stated that the NCTR convention was very valuable in terms of learning what we have to do in regard to TEFRA legislation. Federal income tax will have to be withheld on all monthly benefits

7-1

over \$450.00, however, all retired members must be advised of their right to have tax withheld. They also can elect not to have any tax withheld. Dividends and interest that we receive from investments will also be subject to a 10% withholding and we may have to file a form with every company or trustee with whom we own stocks or bonds. In addition we are required to withhold tax on all refunds unless the member elects not to do so. He said the bill is going to cause a lot of headaches and increase the administrative burden on the system. It will also increase printing and mailing costs. He further added that another problem with TEFRA is the requirement that if there is a death benefit payable to someone other than a spouse, the payment must be made over a period of 5 years. This is in conflict with our present law where we pay a monthly benefit to a child, or brother or sister over their lifetime. He said if we do not change our law, we are subject to losing our qualified status with the Internal Revenue Service which could mean taxation of our earnings on investments. He said he is going to write a letter to Valencia Lane on the possible legal ramifications. This topic generated a lot of discussion and the Board decided that if anything came up that would require board action or legislation, that a special meeting be held before the next legislature. Mr. Kearns moved that the Executive Secretary's report be adopted. Mr. Ryan seconded the motion. The motion carried unanimously.

The next item on the agenda was the James Dennehy case and the Executive Secretary explained that Mr. Dennehy, a former board member and active teacher suffered an illness and missed three months of a school year. When Mr. Dennehy's file was being reviewed for other reasons, Mrs. Andridge noted that payments were received for only 6 months of the year and advised Mr. Dennehy of his right to buy that time under the leave provision. Mr. Dennehy responded by saying it was his understanding that the Teachers' Retirement Board had given him a full year of service and in fact, his statement did indicate as much. The Executive Secretary advised Mr. Dennehy that there was no legal basis to grant service without contributions, therefore, Mr. Dennehy contacted a lawyer to see if he had any basis for lawsuit. The lawyer apparently advised him that he had no grounds to contest the service credit, but felt that any interest charged on the purchase of the leave should be waived. The Executive Secretary said there was no documentation in the minutes or Mr. Dennehy's file that the Board had granted him the service credit. Mr. Burke then moved that the Board waive the interest on the basis that a year of service was incorrectly granted on the statement of account. Mr. Corbin seconded the motion. Mr. Rayn then asked whether this would establish a precedent and it was generally agreed by the Board that instances like these could be decided on an individual basis. The motion passed unanimously.

Chairman Wenaas then asked the Executive Secretary to comment on the next item of the agenda, the 1983-85 budget request. The Executive Secretary then explained the basis of the request, that the 82 budget year was used as a base and that we were asked to simply add items or subtract items that would or would not be

needed over the next 2 years. Inflationary factors were to be added later. He said that Mrs. Andridge could address any particular questions. There was considerable discussion and the Board expressed confusion over the manner in which the budget was proposed as required by the Budget Office. Chairman Wenaas said he would like to see the final figures after all of the inflationary factors have been considered, but basically wanted to be assured that we have enough to maintain the system. Mr. Kearns moved that the proposed budget be accepted. Mr. Burke then seconded the motion and it passed unanimously.

Consideration of adoption of the proposed rule on private school employment was next considered. The Executive Secretary explained that the proposed rule had been published in issue number 16 of the Montana Administrative Register as required and the Board must now consider formally approving the adoption and administrative order. Mr. Burke moved that the notice of adoption and administrative order be adopted. Mr. Corbin seconded the motion and the motion passed unanimously. Chairman Wenaas then signed the adoption and administrative order. The Executive Secretary said that by taking the documents to the Secretary of State's Office today, the rule will be published in the November 10 Montana Administrative Rules and become effective on that day.

The order of the agenda then shifted to the legal report. The Executive Secretary said the Jovanovich case was still pending awaiting action by the other attorney. In the Kelly case, Judge Bennett had signed the order in which we had requested that the same restrictions be placed on the purchase of in-state private school teaching as out-of-state teaching service. The Judge also granted our request to charge interest on the same basis as we do out-of-state service. The Executive Secretary said that it is now up to the Board as to whether to accept the Judge's order and advise the members of the outcome of the case. Mr. Burke asked if we got what we wanted and the Executive Secretary said yes. Mr. Burke then moved that we adopt the Judge's order. Mr. Ryan seconded the motion. The motion passed unanimously. The Executive Secretary then asked how the Board would like to make our members aware of their right to buy this service and the liabilities we would be subject to by making it public information. The matter was thoroughly discussed and it was finally decided that each of our retired members should receive a notice and a letter should be sent to each of the member related organizations. Mr. Kearns made the motion which was seconded by Mr. Corbin. The motion unanimously passed.

The Executive Secretary said the final legal matter was our request to the Attorney General for an opinion as to whether we must include the sick leave and vacation pay a member would have earned during a school year in the calculation of a disability benefit. We recently received a letter in which we were advised that due to the complexities of the problem, the opinion would be delayed.

Chairman Wenaas then said the computer study was the next item and referred comment to the Executive Secretary who said that at the August meeting the Board requested that they be apprised of the progress and the cost implications. He said that currently, the study is in limbo. The Information Systems Division has delayed action on the project until the first of the year and they were asked at that time, to see what could be done with the balance of the \$140,000. Another possibility was to look at what may be available from other state systems or companies. At the request of Mr. Kearns we were contacted by Eric L. Schindler of Anderson, Zurmuehlen and Co. who has offered the services of his organization, for a fee, to locate a possible source or assist in locating a software package. A copy of Mr. Schindler's letter was distributed to each board member. Considerable discussion ensued about the rapidly advancing technology and the approach to take. Mr. Burke suggested writing the executive officers of other state systems. Chairman Wenaas also said that if there was a place that warranted a visit, that the Executive Secretary or Assistant Executive Secretary be authorized to go. Mr. Kearns then made a motion that the Executive Secretary write other systems regarding the availability of a software package and also to discuss with Mr. Schindler, or other similar companies, the idea of submitting a proposal. Mr. Ryan seconded the motion and it passed unanimously.

The NCTR report was the next item of business and Chairman Wenaas asked for Mr. Ryan's comments. Mr. Ryan then gave a very comprehensive report of the general sessions he attended on economy outlook, investing pension funds in the current environment, the Federal Reserve Board under Preston Martin and the various workshops he attended on communicating with members, latest development in post-retirement increases, trends in benefit design and TEFRA legislation. Mr. Ryan also brought back material from the conference for any interested board members. Due to another engagement Mr. Argenbright then left the meeting for the day. Chairman Wenaas then thanked Mr. Ryan for his report and adjourned the meeting for lunch.

The meeting resumed at 1:15 P.M. and the regular retirements and survivor benefits were reviewed. Mr. Burke moved that the retirement and survivor benefits be approved. Mr. Kearns seconded the motion and the motion passed unanimously.

The disability applications were next reviewed with the first being Violet K. Carter, age 65, who suffers from the starting of Parkinson's disease. Mr. Burke moved that her application be approved and the motion was seconded by Mr. Kearns. The motion passed unanimously.

Mildred A. Hubber, age 65 who has been diagnosed as having cancer of the lower colon was then reviewed. Mr. Burke moved that Mrs. Hubber's application be approved. Mr. Ryan seconded the motion and it passed unanimously.

Dale F. Lewis, age 53 who suffers from a congenital hip and had

hip arthroplasty was next considered. Mr. Kearns moved that her application be approved and the motion was seconded by Mr. Corbin. The motion passed unanimously.

At this point, Jim Cox of the University of Montana entered the meeting.

The next application was for James E. Madden, age 38 suffering from a malignant brain tumor and subsequent surgery. It was explained that Mr. Madden was disabled in 1980, but tried to return to teaching in the fall of 1982 but could not continue. Mr. Corbin moved that Mr. Madden's application be approved retroactive to the date of the original disability. Mr. Kearns seconded the motion and it passed unanimously.

The final application for Elizabeth J. Johnson, age 58 was reviewed. Mrs. Johnson sustained a neck injury in an automobile accident. After some discussion and assurance that her case would be reviewed in one year, Mr. Corbin moved that the application be approved. Mr. Burke seconded the motion and it passed unanimously.

Mr. McGarvey and Alton Hendrickson then entered the meeting.

The meeting date for the next board meeting was then set for January 14, 1982.

Attention then shifted to final business of the day, legislation. The first item was the University System proposal to increase the amount a retired member could earn after retirement. Mr. Hendrickson had prepared a letter for the board indicating what he thought the cost might be based on certain assumptions. His conclusion was that the likely effect would be less than one month decrease in the overall retirement age of the membership in which case the additional cost to the system would be minor. Mr. Corbin then said that the organizations, the MEA and MFT and School Administrators of Montana have supported the concept and, therefore, he moved that the Board support the legislation. Mr. Kearns seconded the motion. Mr. Ryan then expressed his concern that the proposal was a solution to an employer problem and not directly concerned with the retirement of an individual and that the majority of members were not aware of the proposal, particularly those members who were retired and that the measure strictly benefits those members who are currently employed and that was his position as a retired teacher. Chairman Wenaas noted that the members of the system could benefit from this and he was surprised that the cost was not more. Mr. Hendrickson then said that he has stressed two considerations. One, that there is a cost consideration, and two, the cost is very minor. He added that it was beyond his comprehension that the measure could affect the system to any significant degree. A question was then directed to Professor Cox if he had any idea of how many people might take advantage of this. Professor Cox replied that their studies indicated about 18 at the University of Montana. Additional discussion

followed and Mr. Burke moved the question. Chairman Wenaas asked if there was any further discussion and the Executive Secretary said that there was a problem in regard to the effective date. He further stated that the school or fiscal year is the basis for determining the earnings and it would be his recommendation that this be changed to July 1, 1983. Chairman Wenaas asked Professor Cox if this was alright and he replied in the affirmative and indicated this would meet with the Commissioner's approval also. The Executive Secretary said he was also concerned with the language in item 3 in that it was confusing. Chairman Wenaas asked Mr. Burke if he would accept a substitute motion to support it if we could understand the language. Mr. Burke said yes. Mr. Corbin then moved that his motion be changed to approve the concept of the bill with the exact language to be determined later and also changing the effective date to July 1, 1983. Mr. Kearns then seconded the motion. When the Chairman called for the question all but Mr. Ryan voted for approval, with Mr. Ryan voting no. Mr. Ryan explained that in his opinion, both the MEA and MFT have served their people well and believes they should continue some of the services with retired people, and should the chance arise, attend a retired teachers meeting and explain in layman's language the concept of the legislation to assist retired teachers in making their minds up as to whether to support or vote against the legislator that champions this cause. Mr. Corbin added that when benefit proposals are made that such proposals, if possible, benefit as much of the whole membership as possible.

The next bill to consider was to increase the employer contribution from 6.463% to 7.183% in order to reduce the period of the actuarial accrued unfunded liability from a period of 48.50 years to 40 years. Mr. Hendrickson had written a letter regarding the subject which had been presented to the board prior to the meeting. Chairman Wenaas said that he was in favor of this but that we will have to do some talking to explain what this really means. He added, the legislature may not feel that 48.5 years is not all that bad and with the large inequity in school budgets, the bill could significantly raise the county levy, but it is the responsibility of the board in lieu of pending lawsuits to make the legislature aware. The Executive Secretary pointed out the danger of this bill to reinforce the argument for consolidation of the two systems. Further discussions followed as to the pros and cons and Mr. Kearns moved that the Board adopt the legislation. The motion was seconded by Mr. Ryan. The motion passed unanimously.

The next proposed draft was to delete the mandatory retirement age of 70. The Executive Secretary said that it is his understanding that 70 is considered a legal retirement age but is subject to change and now that teachers can be certified after age 70, we face the possibility of a lawsuit. Mr. Burke moved that we pursue the legislation. Mr. Kearns seconded the motion and it unanimously passed.

The next proposal was to increase the amount a disabled member of the system can earn. The bill would allow the member to earn

70

the greater of the difference between his annual benefit and final average compensation or his annual benefit and the median salary of those members who retired during the preceding fiscal year. He explained the current law does not allow for inflation. Mr. Corbin moved for adoption of the legislation. Mr. Kearns seconded the motion. The motion passed unanimously.

The next bill was to consider changing the definition of earned compensation. The proposed bill would eliminate irregular forms of remuneration, amounts paid for special duty and amounts paid in kind from the definition. Mr. Burke moved that we adopt the legislation. Mr. Kearns seconded the motion. After some discussion and that the exact wording be discussed with our attorney, Chairman Wenaas called for the question and the motion passed unanimously.

The next bill was to remove the language, "annuity reserve fund" from Section 19-4-602, and insert "pension accumulation fund". This was being done because the annuity reserve fund was eliminated in the 1981 legislature and this bill would correct the language. Mr. Burke moved that it be approved and Mr. Kearns seconded the motion. The motion unanimously passed.

The final matter was a letter from Larry Nachtsheim, Administrator of the Public Employees' Retirement Division requesting the Board consider legislation be enacted to establish a procedure for transfers between the two systems. The Executive Secretary said that the current law rests entirely in the Public Employees' Retirement law and due to the Kelly case, PERS incurred some liabilities in the form of future benefit payments since they must allow a current member of their system who was formerly of TRS to buy private in-state school teaching. The proposed legislation would require that the system to which the individual is transferring in would be entitled to the current employer-employee contribution rate times the salaries for the service being transferred less any amounts the individual received for a refund. The Executive Secretary said this would remedy, for example, a situation where an individual transfers with 5 years of TRS service and 3 years of free military service, TRS would be liable for the employee-employer contributions of the military service. The Executive Secretary said that this would be an extra cost to the system. Mr. Hendrickson commented that this is probably the best approach to the current inequity. After some discussion, Mr. Burke moved that we work with PERS to draft the legislation. Mr. Kearns seconded the motion and it passed unanimously.

The Executive Secretary then recommended that the Board consider meeting with the PERS board in regard to the possibility of sharing earnings on the Social Security contributions they collect since a substantial amount is attributable to teacher contributions. A lot of discussion followed and it was the consensus that the idea be pursued. Mr. Corbin then moved that we send a letter to the PERS board chairman requesting the sharing

of social security contributions earnings. Mr. Kearns seconded the motion. The motion then passed unanimously.

Mr. McGarvey then asked if he could make a statement expressing his appreciation to Mary Andridge for her efforts at their annual convention. Mr. Corbin then reiterated Mr. McGarvey's remarks.

Chairman Wenaas then asked if there was any more business. There being none, Mr. Kearns moved adjournment which was seconded by Mr. Burke. The motion to adjourn passed unanimously.

<u>RETIREMENT APPLICATIONS - AUGUST, 1982</u>	<u>AMOUNT</u>	<u>AGE</u>
Anderson, Janice A. (Retro to 07-01-82)	\$ 228.81	52
Borowy, Donna S. (Retro to 10-01-80)	157.73	60
Brennen, E. Clifford (Retro to 10-01-81)	93.43	54
Coleman, Julie L. (Retro to 10-01-81)	189.61	54
Colter, Dorothy W. (Retro to 07-01-82)	703.58	62
Dreyer, Ruth M. (Retro to 06-01-76)	200.92	55
Feltner, Kurt C. (Retro to 10-01-81)	320.03	51
Heathcote, George M. (Retro to 10-01-81)	93.56	54
Hoover, Jack L. (Retro to 10-01-81)	112.87	50
McCracken, Darrel W. (Retro to 10-01-81)	231.28	53
Manaras, Carol J. (Retro to 04-01-81)	133.21	60
Meyer, Irma Daniels (Retro to 07-01-82)	849.97	66
Raymond, Patricia Ann (Retro to 10-01-81)	147.92	51
Rostad, Ellalee (Retro to 10-01-81)	39.10	52
Skellenger, Mayme E. (Retro to 07-01-82)	204.69	62
Thomson, Frederick W. (Retro to 07-01-82)	682.41	55
Woods, Francis S. (Retro to 07-01-82)	438.31	67
Zander, Marjorie M. (Retro to 07-01-82)	640.14	65

DISABILITY BENEFITS - AUGUST, 1982

	<u>AMOUNT</u>	<u>AGE</u>
Beck, June (Retro to 07-01-82)	\$ 356.71	63
Blixt, LeRoy (Retro to 07-01-82)	444.81	42
Jermyn, Patricia Pearl (Retro to 07-01-81)	532.58	44
Kessinger, Joyce A. (Retro to 07-01-82)	1,280.19	47
MacLennan, Donald J. R. (Retro to 07-01-82)	802.65	47
Penrod, William George (Retro to 07-01-82)	848.93	60

SURVIVOR BENEFITS - AUGUST, 1982

Jahnke, Albert (Survivor of Ann Jahnke, Deceased 06-29-82) (Retro to 07-01-82)	939.44	70
---	--------	----

RETIREMENT APPLICATIONS - SEPTEMBER, 1982

Curry, Marjorie K. (Retro to 10-01-77)	66.67	55
Holmes, Mary C. (Retro to 10-01-81)	160.35	52
Kieckbusch, Donald G.	1,319.85	51
Peterson, Paul R. (Retro to 10-01-81)	57.83	51
Poe, Vera (Retro to 04-01-81)	101.55	60
Shaffer, Ethel V. (Retro to 09-01-81)	102.20	60
Smith, Clara C. (Retro to 12-01-78)	284.58	55
Young, Laura M.	373.89	55

SURVIVOR BENEFITS - SEPTEMBER, 1982

Nickoloff, Elia G. (Survivor of Wilma Nickoloff, Deceased 08-11-82)	147.41	41
---	--------	----

RETIREMENT APPLICATIONS - OCTOBER, 1982


Arends, Robert L.	665.18	62
Berning, Norbert J. (Retro to 07-01-82)	210.74	59
East, Berniece V. (Retro to 07-01-82)	155.66	67
Gackle, Shirley A. (Retro to 10-01-81)	27.95	51
Irish, Robert L.	118.11	55

RETIREMENT APPLICATIONS - OCTOBER, 1982
(cont)

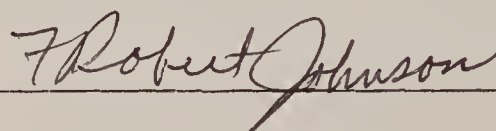
	<u>AMOUNT</u>	<u>AGE</u>
Kelly, Edward Gordon (Retro to 10-01-81)	\$ 289.42	54
Motchenbach, Frank W. (Retro to 10-01-81)	154.05	54
Poloson, Grace	158.68	56
Thompson, Earle C.	900.68	65

SURVIVOR BENEFITS - OCTOBER, 1982

Povilaitis, Marjorie (Survivor of Paul Povilaitis, Deceased 09-08-82)	577.67	47
Shepherd, Molly Raney (Survivor of William Chauncey Shepherd, Deceased 08-18-82) (Retro to 09-01-82)	241.52	40



Dr. Harold Wenaas
Chairman



F. Robert Johnson
Executive Secretary

EXECUTIVE SECRETARY'S REPORT

JANUARY 5, 1983

We have been busy sending out notices to our retirees regarding the withholding of federal income tax from their monthly retirement benefit. Notices were sent only to those members who were receiving a monthly benefit of \$450.00 or more and approximately 1,700 notices were sent. Vicki Hoff and Mary Andridge have been busy processing the returns and we still have about 350 that have not returned their withholding preference certificates. We plan to send a follow-up letter to those members but will be required to withhold federal income tax until we hear from them. Most of the members have been quite good about it, but a few think we are trying to take their benefit away from them. The Montana Retired Teachers included a notice in their newsletter regarding the new provision and it helped to forewarn the members of what was coming.

The Governor is requiring that all state employees in the executive branch attend workshops on sexual harassment and by the time of the Board meeting all of our staff will have attended one of the sessions. Vicki Hoff also attended a workshop intended to strengthen supervisory skills.

Legislation has already required a good deal of my time with meetings with the Department of Administration, and the Governor's legal counsel along with trying to line up sponsors for our bills. This session we are also required to register as lobbyists and will have to make a monthly accounting of my time and the expenditures associated with the bills we are lobbying.

Notices regarding the Kelly case in which retired members will be allowed to buy in-state private school teaching were sent to all members with their December benefit. So far we have had ten purchase time. One member received an increase of \$304.71 per month with the lowest being \$11.69. The average monthly increase is \$103.00 and the average number of years purchased is 4.6 years. Notices of the Kelly case were also sent to our member-related organizations.

We have also begun the microfilming of our retired member's files and when completed, each file will have a micro-film jacket. This will free up considerable space in our overcrowded retired files and the files we now have should be adequate for many years to come.

There still remains some finishing touches on the bathrooms remodeling and the project took about three weeks longer than we were told.

TEACHERS' RETIREMENT BOARD MEETING

JANUARY 14, 1983

The meeting was called to order at 9:40 A.M. by Chairman Wenaas. Those present were:

Chairman Dr. Harold Wenaas
James Burke
LeRoy Corbin
J. William Kearns, Jr.
J. Thomas Ryan
F. Robert Johnson
Mary L. Andridge

Absent - Edward F. Argenbright

The minutes of the meeting held October 29, 1982 were approved and entered in the record.

Financial statements, budget report and investment reports were then reviewed. The Assistant Executive Secretary gave a status report on the delinquent mortgages. The consensus of the Board was that the ratio of delinquent loans to total loans was not significant in comparison to what other financial institutions are experiencing. The Executive Secretary said that at the present time there was no problems in the budget. Mr. Kearns then moved that the financial statements be approved. Mr. Corbin seconded the motion, and it carried unanimously.

The next item was the Executive Secretary's report and he discussed each of the items in the report. The portion concerning sexual harassment prevention prompted a lot of discussion and the Board directed the Executive Secretary to have some written rules on sexual harassment. The Executive Secretary said that this is going to be a state-wide thing and that guidelines for developing written statements will be forthcoming from the Department of Administration. Mr. Burke then moved that the Board accept the Executive Secretary's report and the motion was seconded by Mr. Kearns. The motion carried unanimously.

New business was the next item and the meeting with Mr. Eric Schindler of Anderson ZurMuehlen, who the Executive Secretary said was here to meet with the Board in regard to his firm's proposal to search out existing software in lieu of developing a new system. A copy of Mr. Schindler's proposal had been provided each Board member. Mr. Schindler then entered the meeting. The Board then took time to review Mr. Schindler's report and then Mr. Schindler gave a brief resume' of his firm. Dr. Wenaas pointed out the fact that there was a couple of problems in that we are under a time restraint in that our budget hearing with the legislature was scheduled for February 10, 1983 and also the price would have to be under \$5,000.00 or the

proposal would have to be put out for bid. Mr. Schindler felt that he could modify his time to meet the deadline. Mr. Schindler outlined a four phase approach his firm would instigate to make a search of available software packages. Mr. Schindler emphasized that the functional requirements as outlined in the phase 3 report of the Information Systems Division would be utilized as a checklist for major collection criteria for evaluating system software and make sure that they would be updated to include TEFRA requirements, etc.. Private vendors would also be looked at in regard to their capability of integrating with SBAS and the IBM equipment the state has. The second phase would attempt to locate representative package software alternatives by going through the various other states and private vendors and determine who has software available that could run on the IBM system. The third phase would be to see how they met the requirements as established in phase 1 and prepare a preliminary estimate of the resource requirements to automate the application. The fourth phase would be to identify those areas of existing software that are going to meet those requirements, particularly SBAS and what it is going to cost. A report would then be submitted to the Board summarizing their findings and at that point, the Board would then be in a position to look at the information and make a decision to see if it looks feasible enough to go out and get a private consulting firm or people that have their capability to integrate the system for you. Mr. Schindler said that of the people he talked to, they were a little bit flabbergasted that the cost would be so high to develop a system from scratch and the consensus was that it could be done a lot cheaper than \$320,000.00. Mr. Schindler stated that if a system was purchased, all of the modifications would have to be done by state personnel at additional cost. The Board having no further questions thanked Mr. Schindler for his presentation and Mr. Schindler was excused from the meeting.

The Executive Secretary then advised the Chairman that Mr. Darrell Hagen from Systems Development Bureau of the Computer Services Division was here to meet with the Board in regard to their proposal to conduct a similar search to that proposed by Mr. Schindler. Mr. Hagen then entered the meeting and was introduced to the Board.

Mr. Hagen said that he was just hired and after reviewing the project he was slightly embarrassed that the project has been dragging so long. He said it was his hope that we can get this project pointed in the right direction and get a system in place that will provide what the system needs. Mr. Hagen said that costs were determined by salaries and that is the reason the cost has risen so dramatically. He also explained, that in the past, they had utilized a phased approach which is a good approach if you are working for a General Motors or AT & T and where you really have to bring into play a very structured and very documented approach in developing a system. That kind of approach carries a very large overhead. Mr. Hagen said there has been a complete reorganization with new managers and a new philosophy which should result in some cost savings. The new

approach has not been in place long enough to determine how much savings there will be. He said, he is confident that the cost can be under \$320,000.00 and he is also recommending that we take a new approach, that being an on-line application. He said it basically eliminates turnaround time at the data entry stage and files can be updated immediately. Mr. Hagen said that at the direction of Mr. Johnson they looked at maybe implementing certain parts of the new system, however, there is so much in overhead costs that what is left in the middle was not sufficient or cost beneficial. Another alternative is to look at other states and see if someone has another system that meets our needs. If you can find a system that meets your requirements and has the functions you want that does not differ too greatly, you can, very cheaply pick up a system that you want. You must be very careful at the front end to evaluate the system to be sure that is what you want. If this is not done you may find yourself facing monumental costs because of the changes that have to be made. Because of the cost savings that could be realized it is worth looking into. The Executive Secretary indicated the time frame crisis and Mr. Hagen said that the February 10 deadline would not be time enough. He also added that the on-line approach could be integrated with a word processing center in that you could use the same terminal for word processing. He said further delays in the project could mean that qualified staff may not be available for work on development and the longer you delay, the longer you have to work with the old system. Mr. Kearns asked if the search would be limited to other states and Mr. Hagen said that if they wanted us to look at the private sector and commercial packages, they could. He said his experience with that type of search has not been successful in the state operation. Looking at other state systems provides a better chance because they have similar problems. Mr. Hagen said that you have to look at all the possibilities and if there is a system out there that will do the job, that would be the best alternative. Dr. Wenaas, asked if he was promising us priority and Mr. Hagen said that decision would be at management's discretion, not ours. He said if TRS authorized a search he is confident that management would assign him to do that. Dr. Wenaas questioned Mr. Hagen that if we decide to go along with a private consultant, wouldn't they have to work with state personnel. He replied they would work with a private consultant but you are probably talking about \$75.00 to \$100.00 an hour, not the \$27.00 an hour the state charges. The Chairman wanted to be assured that they would be around to see that the system works and Mr. Hagen said that maintenance of an existing system always takes priority over the development of a new system. The Chairman also questioned whether the hardware will always be compatible with the system. Mr. Hagen said it is their responsibility to see that the programs or software are compatible. The Board then thanked Mr. Hagen for his presentation and Mr. Hagen was excused from the meeting.

The Board then discussed various alternatives and it was agreed that we have a responsibility to conduct a search. The Executive Secretary suggested we ask the legislative committee for the money

for a new system and advise them that we are going to try to do it for less. Discussion followed regarding the pros and cons of the private vs. public sector approach and the tie-in with the state computer. Mr. Burke moved that we go with the state proposal and Mr. Corbin seconded the motion. The motion passed unanimously.

The next order of business was the Legislative Auditor's Report and since the results of the report could not be made available at a public meeting, the item was not considered. The Board, having reviewed the report prior to the start of the meeting expressed their satisfaction and Mr. Burke moved that a letter be posted advising the staff of the Board's appreciation. Mr. Corbin seconded the motion and it passed unanimously.

The next item was the selection of delegates to the NCPERS Conference in San Antonio, Texas, April 10 - 14. Mr. Kearns asked who was scheduled to go and the Executive Secretary said he would recommend Mary Andridge from the staff and that Dr. Wenaas was scheduled to go from the Board. Mr. Kearns moved that Dr. Wenaas and Mary Andridge be delegated. Mr. Corbin seconded the motion and it passed unanimously.

The Governor's Council on Management Report and the Department of Administration's response was the next item of business. The Board discussed the responses of the various member agencies to the Department's letter requesting input regarding the recommendation to consolidate the administrative operations of the two large systems. The Chairman said that what they are saying is that they really don't know. The Executive Secretary advised the Board that there will be a bill introduced to consolidate the administrative operations of the system. Mr. Corbin suggested that the Board be advised of any bill and that the Executive Secretary and a Board member be present and that we get together prior to the hearing to prepare our presentation to the committee. The Chairman pointed out the fact that both Representative Nordtvedt and Mr. Argenbright have made a point of bringing to the attention of communities the cost to provide a retirement program. The consensus was that we wait until the bill is introduced and the Executive Secretary would then contact each member.

Legislation was next considered and the Executive Secretary advised the Board of the status of each bill and said he would provide copies of each bill to the Board. The Executive Secretary said he would like some direction as to whether we are going to support bills which provide an increase in the contribution rate. The MEA bill to allow a member to retire after 25 years without a reduction in benefit would cost .994% of total payroll. The Board felt this was an attractive proposal. The Executive Secretary further explained that the retired teachers will be submitting a bill similar to House Bill 45 of the 1981 session which would provide an automatic cost-of-living increase to retired members. Alton Hendrickson has said that if it is an identical bill, the

cost would be approximately the same as last time or 2.23% of total payroll. Considerable discussion followed as to which legislation should have priorities. Mr. Argenbright then entered the meeting at this point and the Chairman briefed him on the current discussion. Mr. Ryan said that we have to look at the individual member and the resulting benefits before any decision is made. Mr. Kearns made a motion that we give our bill top priority. Mr. Ryan seconded the motion and it passed unanimously. Mr. Corbin then asked about the Board's position on the MEA bill. Mr. Burke said that it seems to be to the advantage of the employer and employee and that we shouldn't oppose the bill.

The legal report was next considered and the Executive Secretary advised the Board that the pre-trial of the Jovanovich case was scheduled for January 28, 1983 and the trial on February 18, 1983. He said we are facing two more law suits of a similar nature, one in Bozeman and one in Missoula where the member failed to change the beneficiary after a change of status. He said that the attorneys are using the relationship of the beneficiary shown on the annual membership statement as grounds that we are misleading the member, so we are going to remove the beneficiary portion from the statement.

The order of business next shifted to the regular retirements and survivor benefits. Mr. Corbin moved that the regular retirements and survivors be approved. Mr. Kearns seconded the motion and it passed unanimously.

The disability application for Donna E. Chilberg was next considered. After deliberation of the medical evidence submitted, the Board requested additional information to substantiate the disability.

The final item of business was the next meeting date and May 6, 1983 was tentatively scheduled with any possible legislative meeting at the call of the chair.

Mr. Kearns then moved that the meeting be adjourned. Mr. Ryan seconded the motion and it passed unanimously.

<u>RETIREMENT APPLICATIONS - NOVEMBER, 1982</u>	<u>AMOUNT</u>	<u>AGE</u>
Geiger, Esther M.	\$202.77	55
Kamrath, Ada J.	76.17	60
(Retro to 01-01-80)		
Liebsch, Ruth J.	146.13	53
(Retro to 10-01-81)		
Mayfield, Lewis G.	106.53	60
Pevek, Ardis L.	535.16	60
Spechalske, Frank H.	251.72	55
(Retro to 10-01-78)		

<u>RETIREMENT APPLICATIONS - NOVEMBER, 1982</u>	<u>AMOUNT</u>	<u>AGE</u>
(cont)		

Thomas, Sylvia L.	\$177.92	60
-------------------	----------	----

DISABILITY BENEFITS - NOVEMBER, 1982

Carter, Violet K. (Retro to 07-01-82)	477.86	65
Huber, Mildred A. (Retro to 10-01-82)	440.38	55
Johnson, Elizabeth J. (Retro to 08-01-82)	396.98	58
Lewis, Dale F. (Retro to 07-01-82)	337.24	53
Madden, James E. (Retro to 10-01-80)	348.95	36

SURVIVOR BENEFITS - NOVEMBER, 1982

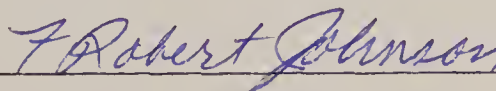
Dehart, Bonnie	329.66	35
Weinzetiel, Nancy A. (Survivors of Helen M. Wingert, Deceased 08-17-82) (Retro to 09-01-82)	325.20	32

RETIREMENT APPLICATIONS - DECEMBER, 1982

Hoversland, Arthur S. (Retro to 05-01-82)	123.97	60
--	--------	----



Dr. Harold Wenaas
Chairman



F. Robert Johnson
Executive Secretary

90

EXECUTIVE SECRETARY'S REPORT

APRIL 22, 1983

The legislative session always stirs up more activity and the office has been busy since the session started. Approximately half of my time was spent with legislative matters in the first 75 days of the session. Including budget hearings, I attended 24 hearings on legislation affecting the retirement system. The 25 year retirement bill probably stimulated the most action particularly after it passed the House and we have been getting many calls and people visiting the office for estimates of benefits. Members of the System who are in town for legislative hearings usually drop by so the whole office gets involved in the process one way or another.

The withholding of Federal income tax on retirement benefits created additional pressure in the retired member area and Mary Andridge had to help Vicki Hoff with the correspondence generated. This function is usually busy at this time of the year due to providing income tax information to retired members and the withholding issue compounded the problem.

Due to the legislative session we have had to turn down several requests for presentations so the coming months should be busy, especially after the changes in retirement benefits. Mary Andridge did travel to Great Falls on March 17 to speak to an educational sorority group, the audience of which was primarily retired members who questioned our support of the 25 year retirement bill. Mary also gave an overview of the system to staff members of the Office of Public Instruction.

Congratulations are due our accountant, Hank Whitaker, who being a few credits shy of a degree, applied for educational leave and by working overtime and taking vacation was able to attend classes at Carroll College and satisfy the requirements. Hank will be receiving his diploma in May of this year and deserves a lot of credit for his effort.

A memorandum explaining the legislative changes is being sent to all employers in order to make the members aware of the 25 year retirement provision and the fact that it will be effective for anyone retiring at the end of the school year.

The financial report we intended to be ready for the first of the year was delayed due to the fact that the Legislative Audit Committee did not review our report until March 18, 1983. Since we were using some material included in the report we could not release the information until after the report was reviewed. The report will, therefore, not be timely but will be the first printed report since July 1, 1971.

01

The re-modeling of our bathrooms is still ongoing. The job was not done to our satisfaction, therefore, they have been making additional modifications which we hope will be completed shortly.

There have been no changes in personnel since the last meeting.

TEACHERS' RETIREMENT BOARD MEETING

MAY 6, 1983

The meeting was called to order by Chairman Wenaas at 9:00 A.M.. Those present were:

Chairman Harold Wenaas
James E. Burke
LeRoy Corbin
J. Thomas Ryan
F. Robert Johnson
Mary L. Andridge

It was noted that Edward F. Argenbright and J. William Kearns, Jr., were absent.

The minutes of the meeting held January 14, 1983 were approved as a matter of record.

Financial statements, budget reports, investment report, and Executive Secretary's Report were considered. The Board requested that Hank Whitaker be called in and at that time each member of the Board extended their congratulations to Mr. Whitaker for obtaining his degree from Carroll College. The Executive Secretary's Report was then approved and accepted as a matter of record.

The next item of business was consideration of the actuarial proposals and the Executive Secretary advised the Board that Mr. Phil Bird had asked to sit in on the meeting. Mr. Bird then entered the meeting and was introduced to the Board. The Executive Secretary then explained that two conditions stated in the proposal provided that bids for actuarial services be received on or before 5:00 P.M. on April 29, 1983 and that the proposal be from an actuarial firm. In the case of Mr. Bird's proposal, the proposal from the actuarial firm of James Turpin & Associates did not arrive by the deadline. Mr. Bird took the information over the phone and prepared a memorandum and brought the proposal in prior to the 5:00 P.M.

deadline on April 29. He added that there is a question as to whether the Board should accept the proposal in accordance with the conditions set forth. The cover letter transmitted with Mr. Bird's proposal was then provided each member of the Board. The letter explained the circumstances and Mr. Bird explained that the proposal from Turpin and Associates did not arrive by 3:30 P.M. on April 29, so the information was taken by telephone and then typed and brought into the Teachers' Retirement office prior to 5:00 P.M. on Friday, April 29, 1983. Chairman Wenaas noted that there were unusual circumstances in that does the transferred information by phone constitute a legal bid? Chairman Wenaas said the Board does have the right to waive an irregularity but when you have a specific bid requirement, you have to look at it and determine if it is a little irregularity or does it fall short. Chariman Wenaas said the question is whether this is a material error or is an irregularity that we have the right to waive and accept the bid. Mr. Bird then said that Federal Express guaranteed arrival by 3:30 P.M. and it did not get there at that time. Mr. Bird felt that they could offer extra services that might be of interest to the Board. Mr. Bird said he understood the Board's position, and it was not his intent to force an "Attorney General's Opinion". He wished to stress that he is located in Montana and can offer actuarial services. Mr. Ryan asked Mr. Bird if he could provide the Board with other work he had done along this line. Mr. Bird said that he was with Hendrickson and Bird for 10 years but this proposal was it as far as his firm was involved. Mr. Bird then thanked the Board for allowing him to explain the circumstances and left the meeting.

Mr. Ryan made a motion that we get a legal opinion on the timing issue and if it is legal, we consider it along with the other bids received. Mr. Burke seconded the motion and it passed unanimously. The Executive Secretary said that our attorney would be over at 10:00 and it could be discussed at this time.

The Board then considered adopting a sexual harassment policy and two examples were considered. After studying the two examples, Mr. Burke moved that the Board adopt policy number one (attached). Mr. Ryan seconded the motion and it passed unanimously.

Ms. Lane, attorney for the Board then entered the meeting. Chairman Wenaas then explained the circumstances surrounding the bid received from Phil Bird, Inc., and asked if the unique circumstances were something that could be waived or whether it was material. Mrs. Lane said in her opinion, the bid should be rejected. Mr. Ryan then moved that since the bid does not conform in all material respects to the bid requirements, the bid should be rejected. Mr. Corbin seconded the motion and it passed unanimously. The Board then requested that the minutes show that the informal proposal received prior to 5:00 P.M. was not signed by Mr. Bird or the actuarial firm. The formal bid was received on Monday, May 2, 1983 from Mr. Bird and no evidence was submitted that it was received prior to the proposal deadline.

Chairman Wenaas declared that the Board go into "Executive Session" to discuss legal matters on the basis that the right of privacy supercedes the right of the public to know and the Board could be subject to litigation.

Chairman Wenaas then declared the meeting open and asked that Ms. Joan Jonkel be admitted to the meeting. Ms. Jonkel entered the meeting and after the introductions said she appreciated the opportunity to meet with the Board and then said she sent a letter to each Board member. Ms. Jonkel also distributed a copy of a letter from Neil Bucklew, President of the University of Montana, which she read to the Board. Ms. Jonkel said that one of the leading questions the Board is faced with is whether they have the discretion to name Ripley Hugo as the beneficiary of the account of Richard Hugo. Ms. Jonkel said that in looking at the statutes and case law, she firmly believed that the Board does have the power and discretion to exercise that kind of authority. She went on to say that Ripley Hugo was named as beneficiary for the insurance and this was on file with the University, but there was not a copy of the beneficiary designation for Teachers' Retirement in the University files. Ms. Jonkel said she looked into the matter to prove that there was intent to name Ripley Hugo as beneficiary and that in 1970 he had been divorced from his first wife and since he wasn't close to his family he listed his friends as beneficiary on the insurance and also the retirement. In 1974 he married Ripley and he went over and corrected what Ms. Jonkel assumed that he assumed was correcting everything. He also made a will naming Ripley as full beneficiary with Ripley's children as back-up beneficiaries. Ms. Jonkel then named Mr. Hugo's close friends, with whom he had conversation, in which he stated that he wished to provide for his wife should something happen to him. Ms. Jonkel gave a brief background of Mr. Hugo's life. Ms. Jonkel said that Mr. Hugo was firmly convinced that he had taken care of this and that the named beneficiary, Mrs. Smith, was convinced that Mr. Hugo wanted his wife as beneficiary and in no way would Mrs. Smith want the benefit and, therefore, filed the waiver. Ms. Jonkel then reviewed the case law cited in her letter. Essentially there were two things you had to look at. One, whether there is any danger of the System to pay twice and she didn't think there was any danger in this situation. The other thing you had to look at was the intent of the decedent. Ms. Jonkel said she felt it was obvious of Mr. Hugo's intent and secondly, the circumstances were so unique that you wouldn't be establishing a precedent and could afford some relief. She then reviewed the Arizona cases which she stated provided the flexibility or power to the Board to consider Mrs. Hugo as the beneficiary. She further stated that she felt our statutes allowed the Board to do that. The specific statute she said allows the Board was the provision expressing the duties "to perform the duties and functions necessarily to properly administer the System" and the whole intent of the Teachers' Retirement Board in setting up the System is to protect the member and try to fulfill their wishes, therefore, this is the intent. Ms. Jonkel referred to the statement of

94

member's account at the top of the statement which says "special designation" and she sees some problems resulting. If the person's name was listed, that would eliminate most problems. She then closed by saying, the two purposes, to protect the system from paying twice and to protect the wishes of the decedent, would not be violated by allowing Mrs. Hugo to have the annuity. Since Mr. Hugo named Ripley Hugo in the will, that would allow Mrs. Hugo to receive the monthly annuity. She felt the statutes allowed and directed the Board to do this. She then said that Mrs. Hugo was here and that she would like her to meet the Board and answer any questions the Board may have. Mr. Ryan stated that the case should be decided on the points raised, not how well known the individual was or whether he was a man of letters. Mr. Ryan said that he would not make an exception for a minute on Mr. Bucklew's recommendation for the way he has presented them and wanted to go on record as saying that. Ms. Jonkel said an inequity should be corrected and made for every person. Mr. Burke felt that if Mr. Hugo had proper legal advice, the retirement asset should have been included in the will and in lieu of that, it is very difficult for him to establish intent. Mr. Corbin said that he would like to see specifically in the statutes where the Board is allowed to do what Ms. Jonkel is asking. Ms. Jonkel said the statute did not provide a rigid requirement that the Board could not consider the beneficiary named in the will as the beneficiary. Chairman Wenaas questioned whether this would not establish a precedent for the other two cases against the Board. Ms. Lane said that in the California cases cited in Ms. Jonkel's letter, they both required an overt act manifesting some intent to have made a change not only to revoke a current designation but to make a change to another beneficiary, and that was missing in this case.

Mrs. Ripley Hugo then entered the meeting and was introduced to the Board. Ms. Jonkel said that Mrs. Hugo was the one most directly effected and wanted her to meet with the Board. Mrs. Hugo said she was very concerned that it came to this because her husband was definitely sure that everything was fine as far as he knew. Mrs. Hugo said that when her husband won the prize from the American Academy of Poets that they both decided the money should be put into the retirement system. Mrs. Hugo said she was referring to Iowa service and sabbatical leave. Chariman Wenaas then asked if there were any further questions and there being none, Chairman Wenaas thanked Mrs. Hugo and Ms. Jonkel for making the trip and that Mrs. Hugo's attorney had expressed her case very well to the Board. Mrs. Hugo and Ms. Jonkel then left the meeting.

The Board then discussed the points in question and asked Ms. Lane about the legal points raised by Ms. Jonkel. Mr. Corbin said that no one had shown in the statutes that the Board has the right to determine the beneficiary. The Board discussed the matter of the will and Chairman Wenaas said that he was reluctant to overstep the bounds of the Board. Mr. Burke then made the motion that we refund the contributions and interest on the belief that the Board does not have the discretionary authority to award the annuity, and, therefore, denying the application for

the annuity. Mr. Ryan seconded the motion and it carried unanimously.

Before admitting Jonathan Motl and Dora Fleming, Chairman Wenaas declared the Board into "Executive Session" to discuss legal matters, that the right of privacy supercedes the right of the public right to know and that the Board could be subject to litigation.

Chairman Wenaas then declared the meeting open and asked that Mr. Motl and Mrs. Fleming be admitted to the meeting. They were introduced and Chairman Wenaas noted that the members had received copies of the correspondence relative to the case and said that Mr. Motl could proceed. Mr. Motl said the reason they were here was that Mrs. Fleming had retired in April 1974 with approximately 30 years of service. She didn't learn of her right to add to her base period through the right to purchase up to two years of creditable service for employment while on leave. She learned of that after she had applied for retirement and was subsequently denied the right by Mr. Johnson on the basis of a general provision in the law which she felt was unjust and was appealing to the Board. Mr. Motl then distributed a letter to each member of the Board. Mr. Motl said that Mrs. Fleming has two basic arguments as to why she should have the right to purchase the additional two years. The first being a rather unique set of facts. Assuming the Board policy previously set forth in the minutes of the Board, Mrs. Fleming's situation can be distinguished on its own facts. The provision for granting two years of leave in the 1973 Legislature was first described in the Handbook of Information published in 1974. Mrs. Fleming applied for disability benefits in April 1974 and at that point she had not yet received a Handbook of Information from the Teachers' Retirement System. This can be followed from the correspondence in Mrs. Fleming's file. He stated her file shows a considerable amount of correspondence and that she tried to keep abreast of the retirement law. Chairman Wenaas asked if Mrs. Fleming was ill at the time she applied for retirement and Mrs. Fleming said she was and explained the nature of her illness. In summary, Mrs. Fleming believes she should be allowed to exercise her right to purchase the two years of service while on leave, even retroactively since she doesn't really fall under the Board policy. The Handbook was not available at the time she retired, she did inquire to the System for information, but the inquiry did not result in her being informed of her right to purchase the two years of leave. It is her contention that those two factors take her situation out of the Board policy and should be dealt with on an individual basis. The second contention is that her retirement rights were not waived by her inaction. The Board's policy is basically that inaction on the part of the teacher causes that right to be waived. Mr. Motl then referred to a fireman's pension case in which it was held that the Montana Constitution strongly protects the right to the benefit provided in a retirement system. Mr. Motl maintained that Mrs. Fleming's benefit is a constitutionally

protected property right and in no place does Mrs. Fleming's file show that there was a waiver of her right. At best, it simply shows that she failed to act, but that her inaction could not constitute a block to her receiving her retirement rights under her contractual rights and she did not waive those rights. Discussion then ensued as to whose obligation it was to advise the members of their rights. Mr. Motl said the two arguments are the basis for Mrs. Fleming's request. Chairman Wenaas was fearful that any decision by the Board would establish a precedent and that future cases would arise. Mr. Motl said the Board could make a decision based on the unique circumstances of this case which would not establish a policy or precedent. Ms. Lane warned that there is a grapevine out there and that it could result in future appeals. Chairman Wenaas asked if there were any further questions and there being none advised Mrs. Fleming and her attorney that the Board would further study the problem and advise her as to their decision. The Board then adjourned for lunch to return at approximately 1:20 P.M.

The meeting resumed at 1:30 P.M. and Chairman Wenaas noted that the Dora Fleming case was still under consideration. Considerable discussion followed. Mr. Ryan then moved that the Board allow Mrs. Fleming to purchase the two years because of the unique circumstance of the disabling illness which prevented her from exercising her right, with the consideration that interest be charged back to the time she was eligible to purchase the leave and that this special case does not change the current policy of the Board concerning the right of a retired member to purchase additional creditable service after retirement. The motion was seconded by Mr. Corbin and passed unanimously.

Ms. Lane then advised the Board that we had received the Attorney General's opinion on the question concerning whether a disabled member could use the sick leave and vacation the member would have earned had he/she completed the full year. The Attorney General ruled that the sick leave and vacation the member would have earned should be used in the calculation of average final compensation.

Ms. Lane then reviewed the Jovanovich case and said we are waiting for the judge's decision. She said there is a similar case in Bozeman and a hearing date will be set next month. The Board then thanked Ms. Lane for her counsel and for attending the meeting and she was excused.

The actuarial proposals were next considered. The Executive Secretary said that there were two additional proposals received, one from Touche Ross and Company of Minneapolis, Minnesota and the other from Hendrickson and Associates. The proposals were then distributed to each member present for their review. The Executive Secretary said the Touche and Ross proposal was for \$27,500.00 which included the actuarial valuation plus 40 additional hours of work each year, which is about what we are running. Any work over and above the 40 hours would be an additional billing. The proposal from Hendrickson and Associates

87

was for \$16,160.00 and was not limited to any hours per extra actuarial work. The Board discussed the qualifications of each bidder and their knowledge of public systems. After further consideration Mr. Burke moved that we accept the proposal from Hendrickson and Associates. The motion was seconded by Mr. Corbin and passed unanimously.

The Legislative Report was the next item considered. A status sheet on all legislation that had to do with the Teachers' Retirement System had been sent to each member. Mr. Corbin asked for a copy of HB 169 which changed the definition of earned compensation. Mr. Corbin said that our bill to finance the unfunded liability to forty years was killed and then the cost added to the 25 year retirement bill. The Executive Secretary said that with the exception of HB 311, all of the retirement bills passed.

The meeting with the PERD Board was then considered. The Executive Secretary said that he and Dr. Wenaas and Mr. Kearns met with the PERD Board and the subject of sharing the social security contributions was discussed but nothing resolved. He felt that the meeting was helpful in just getting together and discussing things relative to retirement systems and the members of the PERD Board felt that future meetings should be scheduled.

The Assistant Executive Secretary was then called upon to give a report on the NCPERS convention in San Antonio. Mrs. Andridge said she felt it was good, and San Antonio was an interesting place to visit. She then gave a report on the general sessions covering the economic outlook, Social Security and TEFRA. She noted that the NCPERS has gone on record as opposing some of the provision, particularly the provision that limits the payout of benefits to anyone but the spouse to five years. Unisex tables were also discussed, as well as legislation pending which would prohibit sex based tables and making it retroactive. Financial reporting and disclosure for PERS systems was covered from pre-ERISA days to FASB as well as court cases concerning public retirement systems. Mrs. Andridge said for the first time the conference instituted forums or workshop sessions which was an improvement over previous sessions.

The Legislative Auditor's Report was next considered. The Executive Secretary said he met with the audit committee during the legislative session. He said the one recommendation the auditors did not feel we fully implemented was the recommendation on inactive accounts. The Executive Secretary felt that we did as much as we could do with the resources available.

The regular retirement and survivor benefits were then considered. Mr. Burke moved that they be approved. The motion was seconded by Mr. Corbin and the motion passed unanimously.

The first disability was that of Donna Chilberg who had submitted

her application at the previous meeting and the Board had requested additional information. The Executive Secretary said he had received a letter from Mrs. Chilberg that the doctor did not want to commit himself further, therefore, her application was processed as a regular retirement. On April 29, 1983 we received a letter from her doctor and a copy of the letter was passed to each member present for their consideration for a disability benefit. Mr. Corbin moved that her disability be approved on the condition that it be reviewed on a regular basis. Mr. Burke seconded the motion and it passed unanimously.

The second application was from Kathryn Blankenship suffering from a kidney malfunction. Mr. Burke moved that her disability application be approved. The motion was seconded by Mr. Corbin. The motion passed unanimously.

Donella M. Smith who has rheumatoid arthritis was next considered. After some discussion as to valid diagnosis of the disease, Mr. Corbin moved that the application be approved. Mr. Ryan seconded the motion. The motion was approved unanimously.

Mr. Corbin then asked the Board's feeling on the possibility of looking into changing the composition of the benefit structure. Mr. Corbin said he mentioned it only for the Board's consideration.

The Executive Secretary then handed out information from the MEA as to possible legislative changes.

July 29, 1983 was then set for the next meeting date.

Mr. Burke then moved that the meeting be adjourned and the motion was seconded by Mr. Ryan. The motion carried unanimously.

<u>RETIREMENT APPLICATIONS - JANUARY, 1983</u>	<u>AMOUNT</u>	<u>AGE</u>
Bauer, Genevieve	\$1,087.58	62
Christiansen, Hubert C.	1,366.93	55
Hubber, Noel Nicholas	1,208.78	60
Jones, Raymond M.	151.70	62
Kampf, Grace A.	282.47	65
Knox, James L.	902.34	63
Miller, Vinnie Hicks	48.25	55
Mitchell, Emma J.	56.99	63
(Retro to 07-01-79)		
Monson, Mildred S.	754.69	66
Nelson, Bettie E.	93.50	60
(Retro to 12-01-77)		
Petersen, Georgia A.	506.62	54
(Retro to 10-01-81)		
Rierson, Stacy J.	591.29	65
Sanders, Julia L.	728.51	65
Sibley, Mary E.	71.28	60
(Retro to 12-01-80)		

RETIREMENT APPLICATIONS - JANUARY, 1983
(cont)

	<u>AMOUNT</u>	<u>AGE</u>
Thompson, June D.	\$ 572.57	63
Tweeten, Vinita P.	356.27	62
Vail, Audrey V.	524.31	63
Walker, Jerry E.	1,290.66	52
Waterman, C. Robert	1,581.28	63

RETIREMENT APPLICATIONS - FEBRUARY, 1983

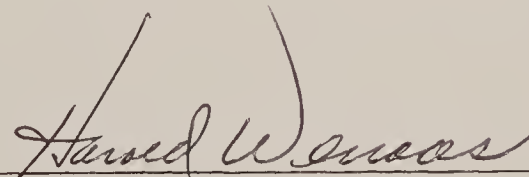
Scott, Arnold D.	506.77	60
(Retro to 01-01-83)		
Vanlandingham, Ruth E.	252.47	51
(Retro to 10-01-81)		

RETIREMENT APPLICATIONS - MARCH, 1983

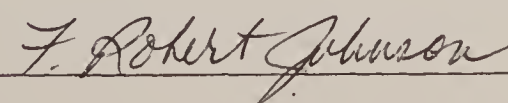
Buchanan, Esther B.	78.47	60
(Retro to 12-01-81)		
Chilberg, Donna	201.40	50
(Retro to 01-01-83)		
Devries, Margaret E.	731.09	54
(Retro to 07-01-82)		
Kirkwood, Nona	532.86	67
(Retro to 01-01-83)		
Nelson, Martha	126.94	51
(Retro to 07-01-82)		

RETIREMENT APPLICATIONS - APRIL, 1983

Autio, Lela	105.88	56
(Retro to 07-01-82)		
Genest, Barbara A.	132.38	63
Kirby, Elizabeth F.	33.82	55
(Retro to 02-01-78)		
Morris, Rosemary L.	380.44	59
(Retro to 07-01-80)		
Nonnenmacher, Patricia	144.35	52
(Retro to 10-01-81)		



Dr. Harold Wenaas
Chairman



F. Robert Johnson
Executive Secretary

SEXUAL HARASSMENT POLICY

It is the policy of the Montana Teachers' Retirement Board to prohibit sexual harassment of its employees and applicants for employment in the workplace by any person in any form.

Each supervisor has an affirmative duty to maintain the workplace free from sexual harassment. This duty includes discussing this policy with all employees and assuring them that they are not required to endure or be subjected to insulting, degrading, or offensive sexual treatment.

Specifically, sexual harassment is deliberate or repeated unsolicited verbal comments, gestures, or physical contact of a sexual nature which are unwelcome.

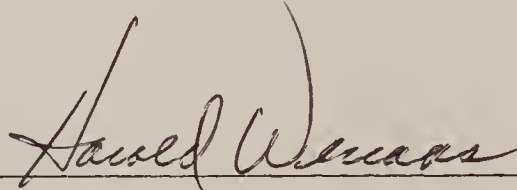
No supervisor shall threaten or insinuate either explicit or implied action(s) that an employee's refusal to submit to sexual advances will adversely affect the employee's employment, evaluation, classification (grade or step), assigned duties, or any other condition of employment or career development.

Other sexually harassing conduct in the workplace, whether committed by supervisors or non-supervisory personnel, is also prohibited. Such conduct includes but is not limited to: unwelcome sexual flirtations, advances, or propositions; verbal abuse of a sexual nature; graphic verbal or visual comments about an individual's body; sexually degrading words used to describe an individual; and the display in the workplace of sexually suggestive objects or pictures.

It is the policy of the Montana Teachers' Retirement Board to take direct and immediate action when informed of alleged violations and enforce the full range of liability and protection created by Title VII and the Montana Human Rights Act.

4-22-83

DATE



Dr. Harold Wenaas
Chairman

EXECUTIVE SECRETARY'S REPORT

JULY 20, 1983

The usual busy spring did not disappoint us this year with an above average number of requests for estimates of retirement benefits, costs on purchase of service, phone calls and drop-in visitors. As of July 15, we had processed 265 retirement applications which is the highest number I can recall in my 10 years with the System. This compares to 123 a year ago and 212 in 1981. The 25 year retirement law along with the retirement incentive offered the Butte teachers had a lot to do with the increased activity.

Janine Voth, Clerk Accountant, who had been with us since June 1981 resigned her position on June 17 to take a higher grade position with the Department of Agriculture. Dan Morton, General Clerk, was promoted to fill Janine's position. The 1983 Legislature did not provide any additional funds to finance salary increases approved as of July 1, therefore, we are expected to make up the deficiency in vacancy savings, so we did not fill the General Clerk's position. We estimate that we will have to make up approximately \$6,000 in FY84 in order to fund the salary increases. In FY85 the figure is \$14,000, and for an office our size this is going to be very difficult.

Since the last meeting I traveled to Montana State University to participate in a retirement counseling program they have for their employees and on June 17, I spoke to the "AA" principals at their annual meeting in Fairmont.

The revised handbook of information has gone to the printer and we should have them back by the middle of August. We are planning to distribute the handbooks with the member's statements of account.

Darrell Hagen, Systems Analyst for the Systems Development Bureau, has advised us that out of all the states surveyed for similar data processing systems, only one, the New Hampshire system seemed to meet our needs and Darrell has studied the system. His initial reaction was that because of heavy use of an interactive control facility called ICCF which is not compatible with the State of Montana computer, this would create considerable effort. In addition New Hampshire has a system which covers multiple funds such as teachers, policeman, fireman and state employees and that it would be difficult to convert to a single system such as ours. Mary and I will be meeting with Darrell in the very near future to discuss our views of the system.

TEACHERS' RETIREMENT BOARD MEETING

JULY 29, 1983

The meeting was called to order at 9:00 A.M. on July 29, 1983 by Chairman Wenaas. Those present were:

Dr. Harold Wenaas, Chairman
James E. Burke
LeRoy A. Corbin
J. William Kearns, Jr.
J. Thomas Ryan
Dr. Willard Anderson
F. Robert Johnson
Mary L. Andridge

It was noted that Dr. Anderson was representing Edward Argenbright, Superintendent of Public Instruction.

Mr. Burke moved that the minutes of the meeting held May 6, 1983 be approved. Mr. Corbin seconded the motion. The motion passed unanimously.

The Financial Statements, Budget Report and Investment Reports were next reviewed. Chairman Wenaas asked the Executive Secretary for his comments and he reviewed the statements. The Assistant Executive Secretary then gave a status report on those mortgages considered to be seriously delinquent.

The Executive Secretary's Report was read and Chairman Wenaas asked the Executive Secretary for his comments. Mr. Johnson reviewed each item in the report. He said that of special significance was the fact that the General Office Clerk's position was not filled in order to provide a vacancy savings which would finance salary increases effective July 1, 1983. He said that the 1983 Legislature did not provide any additional funds for salary increases and that Executive branch agencies were expected to fund these increases through vacancy savings. He pointed out that the Legislature did provide a pool of money for small agencies who may not be able to come up with these savings but that the pool applied only to those agencies funded by the General Fund. Mr. Corbin then moved that the Financial Statements, Budget Report, Investment Report and Executive Secretary's report be approved. Mr. Kearns seconded the motion and it passed unanimously.

Chairman Wenaas then noted that reorganization of the Board was the next item of business. Mr. Ryan then nominated Mr. Corbin as Chairman of the Board since he had experience in the position. Mr. Kearns suggested that Vice Chairman Ryan be considered, however, Mr. Ryan declined the nomination. Chairman Wenaas then asked if there were any further nominations and there being none, Mr. Burke moved that a unanimous ballot be cast for LeRoy Corbin.

Mr. Ryan seconded the motion and the motion passed unanimously. Mr. Burke then nominated Mr. Ryan as Vice Chairman and moved that a unanimous ballot be cast. Mr. Kearns seconded the motion and it passed unanimously. Mr. Corbin then thanked the Board for their vote of confidence and assumed the role of Chairman.

The 1983-85 budget was next reviewed and the Executive Secretary said that salaries would be a critical area as explained in the Executive Secretary's Report. He also noted that our utilities were cut and if we have a hard winter that could be a problem area. We were also given \$500 extra for the Board members per diem and we should have received \$1,125 since the per diem rate was doubled. Chairman Corbin asked if there was anything we could do about it? Dr. Wenaas felt that in the second year of the biennium there were going to be problems and that this is not only true of Teachers' Retirement but other state agencies. He said everyone has suffered. The Executive Secretary said that the Director's Office of the Department of Administration is studying the possibility of a budget amendment and a decision would be made prior to the time of need. Mr. Ryan noted that we could be a part of the process in joining other state agencies in expressing our support and that the Legislature left town without fulfilling their obligations. Dr. Wenaas said that we could use the ratio of our administrative costs to asset growth as a basis for supporting a request for additional funds but that first we have to prove that we are hurting. Chairman Corbin agreed and the agenda then shifted to the next item of business, setting of interest rates.

The Executive Secretary said, by law the Board is charged with the responsibility to set the interest rates for member accounts and that currently the rate is 8% for the regular retirements and 9% on the tax-shelter annuities and that it would be his recommendation that the rates be retained. After some discussion about the current lower interest rates, Dr. Wenaas moved that the rates be retained. Mr. Kearns seconded the motion and the motion passed unanimously.

Next considered was the request from the Historical Society to be allowed to include an insert with the monthly retirement checks. The insert is intended to acquaint people with their publication. Mr. Kearns said that he liked the magazine, but if we do this, why can't anyone else make a similar request. Everyone agreed that it was an excellent magazine but felt that it would establish a precedence for other requests. The Assistant Executive Secretary pointed out that approximately half of the monthly benefit checks are sent to banks, and the banks will not forward any enclosures to their customers. Dr. Wenaas moved that we deny their request. Mr. Ryan seconded the motion. The motion passed unanimously. M. Valencia Lane, attorney for the Board, then entered the meeting.

Chairman Corbin noted the next item of business was the selection of delegates to the National Council on Teacher Retirement Annual

Meeting to be held in Palm Beach, Florida, September 25-30. Mr. Ryan moved that Mr. Burke and the Executive Secretary be nominated. Dr. Wenaas seconded the motion and it passed unanimously.

The request of Raphael Kuka for a refund of contributions on the purchase of private school employment was next considered. The Executive Secretary explained that when the private school law went into effect on October 1, 1981, Mr. Kuka purchased five years of in-state private school employment which was the maximum allowed by the law. The cost was the combined employee-employer rate in effect on October 1, 1981, multiplied by the first year's salary in Montana for each year purchased. When the Kelly case was decided, it opened the door to Mr. Kuka to buy an additional five years since he was a member of the System prior to July 1, 1967 and Judge Bennett's ruling said that members could buy this service on the same basis as out-of-state service. The cost for this service was only the employee contribution rate multiplied by the first year's salary in the Montana Teachers' Retirement System following the in-state service. Mr. Kuka feels that the first five years he purchased should also be charged at the out-of-state contribution rate and requested a refund. The Executive Secretary said that he and Mrs. Lane had discussed the request and that it was his contention that the Kelly case applied only to individual's who were denied the right to buy any service. Mrs. Lane said she supported the position the Executive Secretary preferred to take but, that it is not real clear, that you would have to do it one way or the other. The ramification on the Retirement System would be significant enough, that, that fact alone should support the Executive Secretary's position should we get challenged. There is a good distinction in that the class of people on whose behalf the Kelly case was brought was a class of people who were never allowed to buy any in-state private teaching years. Mr. Kuka was able to take advantage of the new law, so he should not be able to take advantage of the new law and the Kelly ruling also so that is a reasonable interpretation and defensible position and she would support it. Dr. Wenaas then moved that we deny Mr. Kuka's request for a refund of contributions. Mr. Burke seconded the motion and it carried unanimously.

Business next shifted to Arthur Walker and the Executive Secretary said that it has to do with the law in regard to the use of termination pay in the calculation of benefits. The Executive Secretary explained the three options a member has and by the use of a flip chart explained that Mr. Walker elected option II but since he had only 2 years of service with the employer from whom the termination pay was received, he wanted the average yearly termination pay added to each of the three salaries used in the calculation of benefits. He further explained the way they had handled similar cases in the past and said what it really does is give them the benefits under option I at the cost of option II. Mr. Walker's request would result in utilizing termination pay for which no contributions were received, and since the Board initiated the legislation, we know that it was not the intent of the law to provide a windfall benefit and also under the definition of average final compensation we only

use compensation upon which contributions have been received, which would prohibit the Board from honoring Mr. Walker's request. Mr. Burke moved that we deny the request and calculate the benefit as we have done in the past. Mr. Kearns seconded the motion. Mrs. Lane said she had no problem with the interpretation if the Board wants to take that position since the interpretation has apparently been used in the past. She said it is a situation where the Board has the authority and has the duty and necessity to interpret the statute and you have to interpret it in a manner that is reasonable and makes sense. She felt Mr. Walter's position was unreasonable in that he wants to take advantage of \$5,000 salary on which no contributions have been received. She suggested that the Board consider legislation in the future to remedy the problem. Dr. Wenaas said he would like to go on record as abstaining from the vote. Mr. Ryan, Mr. Burke and Mr. Kearns voted in support of the motion.

Under other new business the Executive Secretary said the Public Employees' Retirement Board had received two requests for transfer of service to the Teachers' Retirement System. In lieu of the 25 year retirement and the fact that there could be an actuarial cost to both systems should there be a rash of transfer requests, the Public Employees' Retirement Board placed a freeze on all transfer requests pending receipt of a position classification by the University System. The Executive Secretary said that he had met with representatives from the University System and the Administrator of the Public Employees' Retirement Division and although nothing was resolved, there were several suggestions as to what could be done. The Executive Secretary explained that certain positions in the University System as well as the Superintendent of Public Instruction were given the option as to which system they wished to belong and as changes in the law occur, requests for transfers also occur, but the law really does not allow individual's an option. As a result of the 25 year retirement, it is expected that we are going to receive a lot of transfers which could distort our actuarial assumptions and in any transfer an actuarial loss could result. The University System has suggested a procedure which would give current employees in question a one-time election, then any future hires would fall under the classification they establish and there would be no more optional advantages. Mr. Ryan moved that we follow suggested procedures. Mr. Burke seconded the motion and the motion carried unanimously.

Chairman Corbin said the next order of business was old business and the legal report was the first item. The Executive Secretary said that Mrs. Lane would comment on the Jovanovich case and possible ramifications the decision would have on other pending cases. The Chairman then asked Mrs. Lane for her comments. Mrs. Lane said she believed the Jovanovich decision was based on the equity of the situation and the fact that there was a divorce with no children in the first marriage and a minor child in the second marriage. Judge Martin based his ruling on some aligned

California cases that said in situations of this type, the court should look at intent of the member and in this particular case, the court looked at several items which he determined were an attempt of the member to change the beneficiary. Mrs. Lane cited the many items which in the eyes of the court were an attempt by the member to change the beneficiary and established that the widow be deemed the named beneficiary. There was also an assignment from the first wife to the second wife of the retirement benefit and the judge said the Board should not use the technicality of the statute to prevent a person who seems clearly entitled based on other indications of intent. Mrs. Lane said that the decision of the court is binding only on this particular case. She added that the Board had very little discretion in this case and she recommended to the Executive Secretary that the monthly benefit be paid with the annuity based on the beneficiary's age and that no further action be taken.

As far as ramifications on pending cases, Mrs. Lane said she recommended the Board take no position on the Sowell case since it is in court and the circumstances are different in that the named beneficiary is asserting her right to the benefit. The attorney for Richard Hugo has asked the Board to reconsider their decision. Mrs. Lane said she is recommending that using the Jovanovich case as a guideline that the Board reconsider their decision and grant the monthly benefit to Ripley Hugo. Mrs. Lane said that Mr. Kemmis' letter in which he enclosed a copy of the will and the letters of testimony submitted previously were sufficient documentation to establish intent. Also the Board had an irrevocable waiver from the named beneficiary, Annick Smith, therefore, it was her recommendation that the Board reconsider and grant the benefit to Mrs. Hugo. She felt that by going to court it would be taking an unnecessary hard line and that we would probably lose. Dr. Wenaas suggested that the attorney write a resolution since it would be a reversal of a previous Board decision. Mrs. Lane said you are still going to have to look at each case individually and in every situation they are going to have to present the Board with enough evidence to substantiate intent. In all cases you would have to have an irrevocable waiver from the named beneficiary. Mrs. Lane said the Board had the right to appeal the decision, however, she felt the Supreme Court would be sympathetic to the equities of the case and the decision would be very binding. In discussing the beneficiary designation on the member's statement of account the Board directed the Executive Secretary to have a rubber stamp made advising the member that their beneficiary designation should be current and that they contact the TRS office for information relative to their beneficiary. Mrs. Lane felt that a resolution adopted by the Board to change their decision on Richard Hugo would be appropriate. Dr. Wenaas moved that a resolution be prepared for signing at the next meeting. Jim Burke seconded the motion. The motion in favor of the resolution was passed unanimously.

The next item of business was the annual disability review. The Executive Secretary reviewed the disability review procedure and

said that Leroy W. Blixt should be reviewed at this time. The Board was given the most recent medical information as provided on the disability review. After considerable discussion Mr. Kearns moved that the disability be continued for another year. Mr. Burke seconded the motion. The motion passed unanimously.

The regular retirements and survivor applications were next considered and after some discussion Mr. Burke moved that the regular retirement and survivor applications be approved. Mr. Kearns seconded the motion and it passed unanimously.

Chairman Corbin then called for review of the disability applications and the first was from Margaret V. Nelson who suffered from a hearing loss. It was noted that the attending physician's statement was completed by an audiologist rather than a medical doctor. Dr. Wenaas said that we should ask for corroborating information from a physician which might indicate a medical reason and reconsider it next time. The Executive Secretary said that she is eligible for a regular retirement and that if the Board wishes additional medical information, that she be processed as a regular retirement and if she wishes to pursue the disability, consider any additional information at the next meeting, and if approved, change it to a disability retirement. In this way, there would be no delay of benefits. Dr. Wenaas moved that Mrs. Nelson be approved as a regular retirement and upon submission of proper medical information, by a medical doctor, that her application for disability be reconsidered at the next meeting. Mr. Burke seconded the motion and it carried unanimously.

The disability of David G. Ratigan was next considered. Mr. Ratigan suffers from a hearing loss and psoriasis of the inner canal which prevents him from wearing a hearing aid. Mr. Ratigan also has a blood pressure problem. Mr. Burke moved that Mr. Ratigan's application be approved. The motion was seconded by Mr. Kearns and the motion passed unanimously.

The Board then set the next meeting date for October 14, 1983.

There being no further business, Dr. Wenaas moved that the meeting be adjourned. Mr. Ryan seconded the motion. The motion passed unanimously.

<u>RETIREMENT APPLICATIONS - MAY, 1983</u>	<u>AMOUNT</u>	<u>AGE</u>
Boisen, Mollie P. (Retro to 01-01-80)	\$ 52.00	55
Milkovich, Lura B. (Retro to 07-01-82)	171.51	55
Richins, Robert H. (Retro to 03-01-83)	111.38	55

SURVIVOR BENEFITS - MAY, 1983

	<u>AMOUNT</u>	<u>AGE</u>
Skaar, Linda (Retro to 04-01-83) (Survivor of Palmer Skaar)	\$1,157.24	55

RETIREMENT APPLICATIONS - JUNE, 1983

Finley, Albert C.	171.70	60
-------------------	--------	----

SURVIVOR BENEFITS - JUNE, 1983

Littleton, Edward (Retro to 05-01-83)	332.35	36
Dewolf, Marlene C. (Retro to 05-01-83) (Survivors of Lillian Littleton)	327.56	33
Rosencrans, Dean H.	320.79	17
Rosencrans, Daniel C. (Survivors of Ena Nagase)	322.53	20
Thomas, Carol H. (Retro to 05-01-83) (Survivor of Oscar O. Thomas)	1,630.70	61

RETIREMENT APPLICATIONS - JULY, 1983

Adam, Lillian I.	155.09	51
Albertini, Albert F.	869.71	63
Amunrud, LeRoy R.	1,270.79	54
Anderson, Norman E.	1,264.42	59
Ardisson, Eugene	778.88	54
Bailey, Nancy P.	337.23	53
Bakken, Pearl A.	927.52	57
Bakkum, Byron E.	1,051.34	58
Berryman, Angela	827.87	53
Bieri, Ruthanne	661.35	61
Bickemuehl, Harold W.	422.88	62
Boe, Harold F.	1,177.92	62
Boeshans, Oscar J. (Retro to 07-01-80)	541.23	57
Bowers, Donna I.	526.70	56
Breitbart, Howard O.	1,159.27	61
Brim, Charlotte S.	939.74	63
Briney, Robert C.	1,472.92	51
Brumley, William	988.41	56
Buck, Emily E.	1,119.47	63
Buflod, Marion	818.43	58
Buls, Myrtle J.	544.15	56
Bultman, Teresa	406.23	64
Burley, Jane B.	798.69	58
Campbell, June B.	602.65	62

JULY RETIREMENT APPLICATIONS CONT.

	<u>AMOUNT</u>	<u>AGE</u>
Carlson, Leota L.	623.03	69
Carpenter, Frances C.	809.49	60
Chase, Gerald E.	810.93	50
Clawson, F. Keith	1,580.35	63
Comba, Gerald J.	922.51	52
Combo, James E.	1,196.78	55
Cook, Marshall	1,232.86	52
Coon, Hollis	882.18	58
Cramer, Don	878.53	47
Crane, Amy	828.42	65
Crossman, John	970.85	51
Cullen, William, Jr.	1,355.37	61
Cummings, Louise	401.78	65
Cunningham, Josephine	1,115.87	63
Curnow, Frank	904.06	52
Dahmer, Henry	1,707.16	62
Danielson, Charles	793.06	63
Dart, Elwood	1,377.73	57
Davenport, Edith	520.33	61
Davis, Coral	828.48	57
Dennehy, Edward	1,703.75	60
Dersam, Vera	412.64	64
Devries, David	959.80	52
Dodge, Catherine	536.76	58
Drake, Jeanne	1,028.74	61
Drew, William T.	1,640.44	59
Dwyer, Maxine	378.75	61
Effing, Gerald	50.07	55
(Retro to 04-01-81)		
Ellis, James	913.29	53
Ennes, Charles	1,065.04	60
Epling, Glennwood	188.77	65
Eslick, Joseph	1,477.28	56
Farrell, Margaret	669.08	62
Faurot, James	1,307.48	60
Fawcett, Esther	1,120.47	58
Fenter, Ophelia	586.96	69
Fisher, William	851.06	71
Fiske, Karl	1,543.03	62
Forsman, Katherine M.	1,365.88	63
Francis, John	860.75	50
Frank, Raymond	1,261.82	52
Frank, Robert	863.88	52
Frantzich, LaVern	187.67	53
(Retro to 10-01-81)		
Freebourn, Margaret	824.13	45
Geary, Leona	304.01	64
Gemmell, Mary	402.30	61
Giffin, Ronald	936.20	51
Gilbert, Letha	609.22	65
Gilmore, Bruce	866.67	62
Gorton, Robert	1,617.79	63
Granier, Mary	790.28	62

JULY RETIREMENT APPLICATIONS CONT.AMOUNTAGE

Griffin, Clarence	\$1,201.85	52
Gunderson, Betty	534.21	63
Gunnarson, Marvin	709.50	53
Haagenstad, Henry	1,090.74	58
Hackman, Charles	1,279.83	59
Hammond, Albert	423.21	59
Harrington, Ruth	427.45	55
Hartse, Ralph	1,109.63	59
Haslip, James	870.22	50
Haynie, Gretchen	475.80	62
Heins, Lester	833.68	52
Hemphill, Alice E.	1,302.10	61
Hoffman, Mary	826.15	64
Holdorf, Fred	1,014.29	58
Holland, Hazel	1,033.89	60
Holman, Earl James	900.32	51
Honeychurch, Dorothy	1,064.22	58
Houston, Allen	1,037.13	58
Hoynes, Duane	1,223.06	58
Hoynes, Edna	1,095.55	58
Hull, Richard	589.24	49
Jackson, Betty	700.69	58
Jackson, Leslie	725.09	56
Jaeger, Ora L.	280.19	58
Jersey, Patricia	876.88	60
Johnson, Helen	754.51	61
Johnson, Larry	1,009.30	53
Johnston, Myrtle	825.61	50
Johnes, Martha	846.82	67
Kainz, Earl	823.48	50
Kalafatich, Lawrence	922.51	51
Kambich, William	1,099.07	55
Kapernick, Virginia	553.90	58
Kaul, Hazelle	549.53	64
Keil, Shirley	1,153.72	49
Kelly, Robert	944.21	51
Kelly, Frank, Jr.	1,576.36	61
Kessler, Donald	69.33	55
(Retro to 02-01-81)		
Kimble, Jean	372.97	62
Kimmel, Ronald E.	1,026.86	49
Kober, William	1,082.68	63
Konen, Betty	1,004.80	50
Krueger, Lola A.	877.43	59
Kuka, Raphael E.	901.84	61
Kyle, Connie R.	656.92	51
Kyle, Sybil M.	594.62	56
Lackman, Melvin K.	1,312.44	56
Lambert, Keith	1,409.39	66
Langemo, Leone P.	148.71	51
(Retro to 10-01-81)		
LaRowe, Mary E.	239.63	65
Larsen, Eva M.	993.46	56

JULY RETIREMENT APPLICATIONS CONT.

	<u>AMOUNT</u>	<u>AGE</u>
Larsen, Floy V.	\$ 453.74	67
Larsen, H. Allen	516.25	66
Larson, Gerald D.	933.11	54
Larson, Roger D.	1,344.26	52
Lashaway, Joseph W.	357.02	56
Lavold, Margaret Jo	851.70	63
Lawson, Elvina D.	770.02	45
Lee, Patricia J.	285.86	54
Leone, Robert J.	1,552.23	60
Lewis, Roderick A.	1,182.83	55
Lindstrom, Annabelle	696.07	63
Loscheider, Shirley	953.23	53
Loughran, Connie	203.17	63
McCammon, Myrtle, F.	1,185.67	63
McCann, Edith M.	386.75	64
McCormick, John Rodger	1,062.86	48
MacMillan, Robert L.	896.59	53
Madden, Thomas	1,305.92	62
Marcus, Wayne P.	1,279.93	65
Marinan, Mildred B.	614.63	66
Mattingly, Jack G.	1,020.34	63
Meade, Viola I.	744.31	63
Meier, Martha J.	628.41	62
Meyer, Margaret A.	639.83	62
Miller, Betty L.	245.26	65
Moerer, Ralph A.	1,068.25	59
Mongrain, Alice M.	1,629.43	60
Morgan, Patricia	1,315.07	63
Morger, Ann	982.28	62
Mortenson, Beatrice L.	1,118.29	58
Murray, Merle Jo	445.21	62
Nees, Robert H.	1,192.45	62
Nelson, Ann M.	148.18	52
Nemec, Charles F.	1,096.77	62
Newman, Phyllis M.	839.88	60
Nixon, Ann E.	1,117.05	51
Noyes, Robert N.	1,003.00	54
O'Connor, William F.	1,284.78	55
Olson, Gerald M.	994.22	48
Olson, Robert H.	838.53	52
Osterberg, LeRoy L.	638.96	66
Ottinger, Mary Ann	1,350.78	53
Pace, Jaqueline R.	952.80	54
Palmer, Douglas E.	986.79	47
Pederson, Louise	659.38	61
Peters, George H.	769.18	54
Peters, Rita	202.27	62
Peterson, Gladys M.	897.81	60
Peterson, Mary L.	798.43	52
Pezdark, Mildred A.	864.69	47
Phair, Dorothy	1,254.36	66
Ponke, Raymond A.	1,317.95	58
Quenemoen, Gayette M.	252.35	51

JULY RETIREMENT APPLICATIONS CONT.AMOUNTAGE

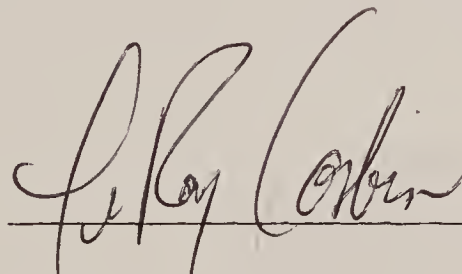
Quenemoen, Robert L.	\$1,246.02	54
Rada, Betty H.	729.98	56
Randall, Lorraine G.	1,011.78	62
Ready, Ellen C.	1,046.72	60
Rediske, Elinore L.	1,152.59	64
Reed, Dominic J.	1,080.77	65
Reiner, Dorothy W.	928.56	66
Reynolds, H. Creech	1,603.63	63
Reynolds, Patricia R.	332.15	56
Richards, Eugenie E.	776.48	63
Roberts, Alice L.	751.48	66
Roney, William P.	1,115.24	55
Roper, Robert G.	1,102.37	59
Salstrom, Shirley L.	666.04	66
Samuelson, Leila M.	1,002.64	58
Sanderson, Kenneth	578.67	52
Sando, Betty K.	1,055.75	66
Schilling, Betty A.	776.27	61
Schleicher, Eldean M.	689.34	64
Schoonen, Anton E.	967.78	53
Schulte, Virginia	703.54	70
Schwartz, Melvin E.	934.48	61
Selage, Max E.	260.90	71
Sencer, Robert	738.11	62
Shannon, Jerome D.	833.46	47
Sheehan, James	651.88	52
Shepherd, Leo W.	512.63	56
Simonsen, Eleanor J.	1,187.91	63
Simpson, Lewis L.	274.37	56
Slabaugh, Laura M.	1,117.72	54
Smith, Floyd R.	607.15	64
Smith, Gladys A.	705.26	55
Smith, Laura M.	1,129.90	68
Spangelo, Dorothy E.	648.27	63
Spencer, Regina M.	594.21	60
Sperry, Mary K.	1,074.80	58
Stafford, Richard E.	974.58	57
Stafford, Shirley M.	184.26	56
Stuart, Howard G.	969.14	60
Stuhlmiller, Elmer E.	1,265.54	59
Sullivan, James F.	1,070.02	51
Swanberg, David	1,221.45	65
Swarthout, Robert W.	2,114.05	62
Tanner, Warren G.	584.51	49
Tarrant, George H.	956.30	56
Tecca, Virginia	1,359.59	63
Thompson, Maxine M.	695.71	62
Timmerman, Florence M.	918.40	63
Tone, Bernard	775.78	62
Toombs, Margery	727.64	53
Trimble, Elizabeth P.	251.53	58
Troxel, Christine M.	1,458.36	50
Utech, Elinor L.	465.22	63

JULY RETIREMENT APPLICATIONS CONT.

	<u>AMOUNT</u>	<u>AGE</u>
Valach, Mildred	\$ 896.74	62
Van Alstyne, Martha	989.36	60
Van Artsdale, Eugene B.	1,040.04	55
Vantura, Joseph D.	1,111.39	55
Walter, Theresa G.	613.88	62
Wamsley, Constance C.	562.70	59
Weiss, Francis H.	781.01	68
White, Arlene M.	459.80	66
Wilcomb, Jesse E.	912.01	56
Winchell, Marjorie M.	194.41	60
Wolff, Dorothy M.	158.59	64
Yaw, Robert H.	898.80	62

SURVIVOR BENEFITS - JULY, 1983

Naprstek, Susan K. (Retro to 05-01-83) (Survivor of Stevens G. Naprstek)	418.93	38
Cornish, William J. (Survivor of Phyllis C. Smerer)	123.01	26



LeRoy Corbin
Chairman



F. Robert Johnson
Executive Secretary

RESOLUTION NO. 77

Whereas, Dr. Harold Wenaas has served as a member of the Teachers' Retirement Board from November 1978 through July 1983, and

Whereas, it is the sincere and consistent opinion of the members of the Teachers' Retirement Board and its administrative staff, who have served with him during his years of membership, and the many members of the Teachers' Retirement System, that he has served with ability and integrity and,

Whereas, he has contributed generously of his valuable time, experience and counsel in the equitable administration of the Teachers' Retirement System, now therefore,

Be It Hereby Resolved, that his fellow Board members, and administrative staff and members of the Teachers' Retirement System extend and express their sincere and heartfelt appreciation to Dr. Harold Wenaas for his years as a member of the Teachers' Retirement Board of the State of Montana.



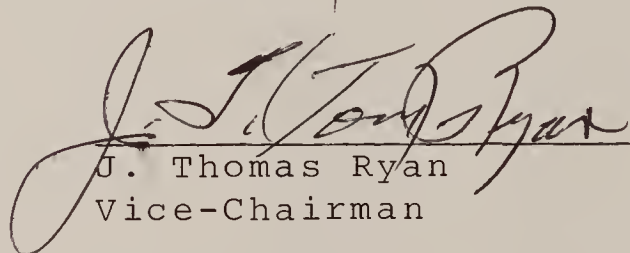
F. Robert Johnson
Executive Secretary



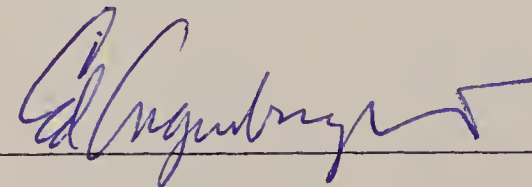
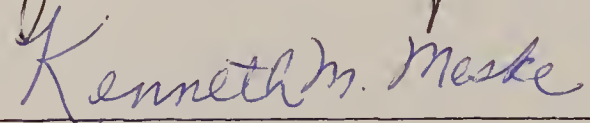
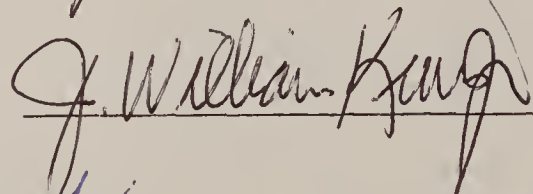
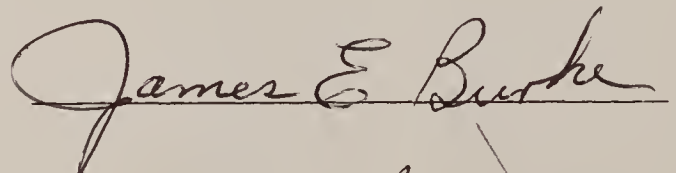
LeRoy Corbin
Chairman



Mary L. Andridge
Ass't Executive Secretary



J. Thomas Ryan
Vice-Chairman



RESOLUTION NO. 78

Whereas, the Jovanovich decision provided certain guidelines to the Teachers' Retirement Board in regard to consideration of beneficiary determination, and

Whereas, these guidelines would have been of valued assistance to the Teachers' Retirement Board had they been available prior to their consideration of the Richard Hugo case and,

Whereas, evidence has been submitted which has established sufficient indication of the intention of Richard Hugo that Ripley Hugo be his beneficiary, and

Whereas, the remaining living designated beneficiary, Annick Smith, has provided an irrevocable waiver of benefits which removes any inherent danger of a double liability to the Teachers' Retirement System, therefore, be it,

Resolved, that the Teachers' Retirement Board has reconsidered it's decision of May 6, 1983 and has unanimously agreed to award a monthly annuity to Ripley Hugo, wife of the deceased, Richard Hugo, and be it further,

Resolved, that this reversal does not establish a policy or precedence in considering cases of a similar nature, but that each case will be decided on the basis of the individual facts presented.

F. Robert Johnson

F. Robert Johnson
Executive Secretary

Mary L. Andridge

Mary L. Andridge
Ass't Executive Secretary

LeRoy Corbin

LeRoy Corbin
Chairman

J. Thomas Ryan

J. Thomas Ryan
Vice-Chairman

James E Burke

J. William Beards

Kenneth M Meske

Ed Augubry

116

EXECUTIVE SECRETARY'S REPORT

SEPTEMBER 16, 1983

Statements of member accounts along with the new Handbook of Information were sent to all employers the week of August 22-26. The stamped message on the member's statements concerning beneficiary status has generated quite a few phone calls and letters and should help considerably in the updating of member's beneficiary designation.

Mary Andridge and Hank Whitaker, accountant, traveled to Bozeman in August to speak to a training session of business officials of public employers held on the Montana State University campus. They were there to primarily answer questions concerning reporting questions and changes in the law by the 1983 Legislature. This is the first time we have met with a group of this composition and both Mary and Hank felt that it was a productive session. Mary also gave a presentation to the Montana City school teachers at their in-service training session prior to the start of school.

I will be giving a presentation to the MEA Convention in Great Falls on October 20 (providing there is not a strike) and two presentations to school administrators the morning of October 21 in Missoula. Mary will be covering the MFT Convention here in Helena on October 20.

We have received word that federal legislation will again be introduced to provide federal regulation of public pension funds concerning, disclosure, reporting, and accountability standards. We have opposed this type of legislation in the past because we have felt this is a State of Montana responsibility and legislation of the type previously introduced will increase administrative costs. It also gives the Secretary of Labor a lot of discretionary authority which could be detrimental to current operations of public pension plans. There is, however, a lot of pressure from labor organizations to have this legislation passed.

Also, as you may recall when TEFRA was passed, there was a provision which would limit benefit payments to someone other than the spouse to five years. This provision has caused a lot of opposition from public pension funds like ours which provide a monthly benefit of \$100 to minor children of an active or retired member who dies. We have seen some indication that this may be amended, but if not we would have to seek legislation to comply with the provisions or lose our qualified status with the Internal Revenue Service.

There has been no personnel changes since the last meeting.

TEACHERS' RETIREMENT BOARD MEETING

OCTOBER 13, 1983

Chairman LeRoy Corbin called the meeting to order at 9:30 A.M. Those present were:

LeRoy Corbin, Chairman
Edward F. Argenbright
James E. Burke
J. William Kearns, Jr.
Kenneth M. Meske
J. Thomas Ryan
F. Robert Johnson
Mary L. Andridge

Chairman Corbin said the first order of business was to welcome Mr. Meske to the Board and that he hoped he enjoyed his appointment. Mr. Meske replied that he was looking forward to it.

The first item on the agenda was consideration for approval of the meeting of July 29, 1983. Mr. Corbin said if there were no questions he would accept a motion for approval. Mr. Ryan moved that the minutes be approved. Mr. Burke seconded the motion and it carried unanimously.

The next item of business was the financial statements, budget reports and investment report. The Executive Secretary noted that there were two sets of financial statements, the year-end statements for June 30, 1983 and the August 1983 statements. He also reviewed the year-end budget report. The Assistant Executive Secretary then gave a report on the mortgage delinquencies. Mr. Argenbright then asked if we had any projections as to the number of teachers who may retire in the future as he was concerned that there may be a lot of members nearing that point in time. The Executive Secretary said that this is something that is taken into account in the actuarial valuation which will be presented at the next meeting and that Mr. Hendrickson could address that particular question. Mr. Ryan then moved that the financial statements, budget reports, and investment report be approved. Mr. Burke seconded the motion and it passed unanimously.

The Executive Secretary's Report was next considered and Chairman Corbin asked for his comments. He said the beneficiary stamp has stimulated a lot of phone calls and letters, but that in most cases, the members heard from were those members who have been conscientious about changing their beneficiary. Each item in the report was reviewed and some questions concerning federal legislation as well as the additional requirements imposed were discussed. Mr. Burke commented that there was

mixed feelings among the various union leadership and their membership as to whether the federal legislation is desirable. The Executive Secretary added that since the report was written, Bob Liston, accounting clerk, had resigned to accept a grade 13 position with the Personnel Division in their handicapped program, so the office was currently operating with 8 people. Mr. Kearns then moved that the Executive Secretary's Report be approved as a matter of record. The motion was seconded by Mr. Burke and passed unanimously.

The agenda shifted to New Business and the lease agreement with the Department of Administration, Architecture and Engineering Division. The Executive Secretary said we currently lease 2,285 square feet at a cost of \$7.30 per square foot, for a total lease price of \$16,688.04. This amount is paid to us in monthly installments. Mr. Burke asked what this included and the Executive Secretary said that we furnish heat, lights and janitorial services. Mr. Kearns asked how this price compared to other comparable office leases and Mr. Burke said that it was good. Mr. Burke then moved that we approve the lease agreement. Mr. Meske seconded the motion and it passed unanimously.

The next item was the actuarial contract with Hendrickson and Associates. The Executive Secretary said that earlier in the year, the Board had accepted the proposal from Hendrickson and Associates at a total cost of \$16,160.00 for the next two years and the contract simply defined the manner of payment. The 1983-84 monthly payments would be \$321.60. The actuarial valuation would be \$9,300.00 payable upon completion and acceptance by the Board. In 1984-85 we will pay \$250.00 per month for 12 months for a total of \$16,160.00. Mr. Burke moved that the Board approve the actuarial contract with Hendrickson and Associates. Mr. Kearns seconded the motion. The motion carried unanimously.

The Executive Secretary then asked for the Board's consideration to send someone from the staff to attend a pre-retirement counseling seminar put on by the South Carolina Retirement System at Hilton Head Island, November 15-17. The Executive Secretary said that the South Carolina Retirement System has for the past three years offered a pre-retirement seminar to other public retirement systems and it has proven to be quite successful. He said, if we can afford it, someone from the staff should attend to see whether the program could be used in Montana. The program is aimed at helping those individual members, 5-10 years away from retirement, plan for their retirement. The Executive Secretary said that at this time it does not look like we will have enough money, but should a cheap air fare come along, he would like the Board's approval to send someone. Chairman Corbin said he agreed with the concept since it is for the benefit of the membership. Mr. Burke then moved that someone from the staff be authorized to attend. Mr. Kearns seconded the motion and it passed unanimously. Mr. Argenbright felt that it was a very timely thing and Chairman Corbin added that it is something that should be done.

M. Valencia Lane, attorney for the Board then entered the meeting.

Other New Business was the next order of business and consideration of Resolution 77 which had to do with Dr. Harold Wenaas' tenure on the Board. Mr. Burke moved for adoption of the resolution and the motion was seconded by Mr. Argenbright. The motion carried unanimously.

Resolution 78 was next considered which the Board had directed the Executive Secretary to draft and had to do with the Board's recent decision to grant Ripley Hugo, wife of Richard Hugo, a monthly survivor benefit. Mr. Burke moved that Resolution 78 be adopted. The motion was seconded by Mr. Kearns and passed unanimously.

Continuing with other New Business, the Executive Secretary said that he would like the Board to consider possibly forming a sub-committee for the purposes of establishing some long term goals and objectives for the System. Mr. Burke said that he was serving on a similar committee for the Board of Realtors and that there certainly is a great deal of merit to the idea. He told the Executive Secretary that there should be sufficient money in the budget to support the project. Mr. Kearns suggested that maybe a day be set aside and that it be a committee of the whole. After some discussion it was generally agreed that it be a matter for the next agenda and that it be comprised of the entire Board. Mr. Burke said he would like to bring some background information on other groups and suggested that if anyone else has information, that they bring it to the next meeting. Chairman Corbin then directed the Executive Secretary to place it as an item of business on the next agenda.

The order of business went to Old Business and the legal report. The Executive Secretary said that the Sowell case was the one remaining legal suit and that he has been subpoenaed to appear on October 18, 1983 as a witness. Mrs. Lane pointed out that the law does not say the spouse has a right to a monthly benefit but that fire and police systems do and the courts seemed to hold that the spouse is entitled to a benefit.

The Board was then advised that the representatives from the MEA were here to meet with the Board. Dave Sexton and Owen Nelson of the Montana Education Association and Chip Erdmann, attorney for the School Boards' Association were admitted to the meeting and introduced to everyone present. Chairman Corbin then said the meeting was open for their comments. Mr. Sexton said that they were here out of a concern regarding the practice or policy of teachers losing service credit because of a labor dispute or other emergencies. He noted that the first teachers losing service credit because of a strike were Missoula teachers in a 1981 strike. He said that teachers were denied credit at that time because teachers were paid for less than 180 days. He said it was their understanding that the decision

was based on the belief that the Board did not have the authority to grant that credit. The Montana Education Association believes that decision was in error and they have come to the Board today to present what they think is the problem and a possible solution to that problem. Mr. Sexton said that teachers and other public employees have a protected lawful right to strike and the Teachers' Retirement System decision to deny the creditable service is an infringement on that right to strike. Although most teachers are not paid, they remain full-time employees while on strike. Secondly, a statute governing the Teachers' Retirement System expressly provides and requires that the Board adopt a policy granting creditable service for up to one months absence without pay and it doesn't put any limitations on it. Mr. Sexton said the section he was referring to is 19-4-204 MCA. The Executive Secretary then handed copies of that particular section of the law to each Board member. Mr. Sexton noted that the Board does not presently have a policy implementing these guidelines. Mr. Sexton said the MEA sees two options. The Board could adopt a policy granting such credit, applying it to those teachers in Missoula and any future situation. The other alternative is the Board would be defending in a law suit and the MEA attorney has been authorized to litigate on behalf of any TRS members who have been adversely effected. Mr. Sexton said they would much prefer to take the former course and be a policy change. Mr. Sexton then gave each Board member a suggested policy change to implement 19-4-204 MCA. The statement said that this would be a new policy providing for credit for absence without pay. "In the event of an absence without pay due to unpaid leave or labor dispute up to one months creditable service shall be awarded". He said they believe this is the law and the Board's responsibility is to fulfill its lawful obligations. Mr. Sexton said that another concern is the manner in which the average final compensation is computed and that Mr. Nelson would address that situation.

Mr. Nelson said there is a greater impact on teachers in the situation that has been discussed, in the computation of the average final compensation. Prior to 1977, the nature of the statute allowed a member to pay contributions to pick up partial years salary. In 1977 the law was changed to provide that the three highest consecutive years of employment be utilized, therefore, if there is a partial year it could mean many dollars in the final benefit. It is their concern that this penalty not be there for persons exercising their concerted activities and that they intend to pursue this, hopefully through the Board's assistance by legislative remedy or through litigation, whichever they felt would do the job and at the earliest time. Mr. Nelson said he didn't feel it was the intent of the Legislature, when the law was changed that it penalize an individual exercising their right to concerted activities. He closed by requesting the Board's support in resolving the problem. Mr. Erdmann then said that the School Boards' Association was here to see what the proposal was and if the Board would like to propose a new regulation in the area talked about first, they would make their comments at the appropriate time, and if the Board feels legislation is

appropriate in the second instance, they would be available for input at that time.

The Executive Secretary then said that first of all, the Board's decision on the last strike situation was the result of research by our attorney. He went on to say that there has to be three conditions present to grant creditable service, first, membership which is not a question here, second, is service and the third being compensation. In a strike you do not have service or compensation and even if you considered a striking employee as performing service, there is still no compensation. He added, granted, the section of the law referred to grants discretionary authority to the Board to allow what the MEA is asking but that he didn't feel that section of the law was intended to cover a strike situation where it involves 700-800 people, but more of an individual situation such as an illness or something like that where they could appeal to the Board for service credit. The Board has to be aware that if they were to give creditable service for up to 30 days of service, you are giving a benefit away without receiving compensation which is a source of an unfunded liability. Mrs. Lane said she would reiterate what the Executive Secretary has voiced and that particular statute does say the Board has the duty to adopt a policy, it doesn't say rules, a policy in granting service up to one month for absence without pay. She added that she agrees with the Executive Secretary that the statute is directed to individual situations where an individual can come to the Board with a particular problem and could appeal to the Board for help in a particular case. The statute in no way touches or mentions strike situations where you have a class of people requesting this time. The Board could consider adopting rules and make them broad enough to cover a class of people, but I think you have a fiduciary responsibility that you have to consider whether or not by granting what they request is increasing your unfunded liability and whether that might be a breach of your fiduciary responsibility. She added that she doesn't think that the statute says the Board has to adopt rules allowing creditable service for a strike situation. Mrs. Lane then asked if the Board wanted some legal input before they make a decision. Discussion then involved the Board's alternatives such as adoption of rules, legislative, litigation or request an Attorney General's opinion. Mr. Meske said there was not much difference as to an individual situation or where you have 700 in a group. Mrs. Lane said the difference is the liability you create for the fund, and perhaps the fund can afford an occasional situation and it is her understanding that there hasn't been any requests before. Another consideration the Board should consider is that the Board is not the employer in this situation and what you have here is a matter of labor law between the employer and employee and the Board is not party to that contract and the Board can only grant benefits which are funded. Chairman Corbin mentioned that during his tenure on the Board it has been the Board's decision that any benefits be funded and he doesn't

know how we would fund this particular situation unless it was through legislation. Mr. Sexton reiterated their position that the law states up to one months service shall be granted. Mr. Argenbright said that there was considerable discussion after the Missoula strike and a policy was established and most everyone was aware of it and that policy would be maintained. Mr. Erdmann then said that he agrees that the disputes are with the contracting parties and this may not be the appropriate body to determine policies that would affect those, however, if the Board feels they should take action by adopting a policy or provision that would allow a school district in a strike situation, once the agreement is made and the collective bargaining agreement is adopted, that they allow contributions to be made to the System if that was the parties agreement. Therefore, the parties involved have the ability to negotiate that and if they agree to it, fine. The Executive Secretary felt this possibility could exist right now and Mrs. Lane said that this could be a possibility.

Mr. Burke commented that it was refreshing to have a meeting like this and have the TRS considered in all these deliberations. Mr. Sexton felt it was their desire to have the discussion and would like to see something worked out to everyone's satisfaction. Mr. Ryan agreed that it was beneficial and educational. The Assistant Executive Secretary said that if contributions were made on the pay lost while on strike, credit could be given. Mr. Nelson pointed out that the employees on strike would not receive any pay. Mr. Burke suggested we take the discussion under advisement and possibly ask for a legal opinion and get back to the parties involved. Mr. Sexton, Mr. Nelson and Mr. Erdmann then left the meeting.

Mrs. Lane advised the Board that she felt there was room for dispute on their contention of Section 19-4-204. She said the Board could adopt a rule granting service up to one month in certain types of situations and you could specifically exclude labor disputes as there was certainly nothing in the statutes that says you have to grant it for labor disputes. Mrs. Lane said that one thing that was not mentioned is the time lost on strike is a voluntary decision, that you have chosen to take that course of action as opposed to a situation where there might be an illness in the family over which the member has no control. Mr. Ryan asked what effect the Board's decision would have on the strike and Mr. Meske said that it has a lot of effect. Mr. Lane said she had some real concerns about the fiduciary aspect and that she would suggest that the Board either deny the request and let them take whatever action they want, and in the meantime it may resolve itself, or if you do not want to take the action to deny, then you should ask for an Attorney General's opinion.

The Executive Secretary said the Board had asked for an opinion on the Missoula strike and the Board adopted the attorney's position. Mr. Meske asked if copies of that opinion could be made available. The Executive Secretary said he would have copies made which were distributed to each Board

member. Mrs. Lane said that she not only did not see a duty on the Board to grant the request but she had serious doubts about the authority to grant the request and she would recommend that the Board deny the request. The Board reviewed the opinion regarding the Missoula strike and the Executive Secretary read the portion of the minutes of the meeting of October 9, 1981 in which the Board made their decision. After considerable more discussion Mr. Argenbright made the motion that we reaffirm the policy adopted in the meeting of October 9, 1981. Mr. Burke seconded the motion. Mr. Ryan felt that we should delay action because it might influence the decision by the school board or teachers. Chairman Corbin called for the vote with Mr. Burke, Mr. Kearns and Mr. Argenbright voting in favor of the motion and Mr. Meske and Mr. Ryan voting no. Mr. Meske asked the Executive Secretary if Mr. Hendrickson could provide us with information regarding cost for granting up to one months service and the Executive Secretary said he would ask him for an answer at the next meeting.

Chairman Corbin then asked for the report of the National Council on Teacher Retirement Annual Meeting. The Executive Secretary said he thought it was a well rounded conference, the workshops offered a lot and a good variety of topics were presented. He then gave a review of the general sessions and each of the workshops he attended. Topics of interest were trends in post-retirement adjustments, employer pick-up plans, controls in automated accounting systems. One interesting workshop had to do with mortality tables and the fact that the 1971 Group Annuity Mortality Tables which we are currently using has proven not to be conservative enough and that possibly a new mortality table will be developed in the mid 80's. If we were to change tables, the overall effect would be an additional cost to the system. Mr. Burke commented on Sarah Reilly, lobbyist for NCTR on her discussion of pac groups. One workshop stressed the need for a longer look at investments rather than just over the short term. Convertible type debts should be looked at because it reduces your risk and increases your income. He spoke of emerging retirement trends, baby boom, and the fact that people are now living longer as well as fiduciary standards. He said the impact of early retirement must be recognized. He also discussed the session which had to do with the Federal Reserve Board and their monetary and political policies. The Executive Secretary added that future trends are that Social Security will be curtailed and reduced, personal savings will increase and defined benefit plans will decline in popularity with defined contribution plans becoming increasingly popular. There being no other Old Business the next item on the agenda was the regular retirement benefits. Mr. Burke moved that the regular retirement benefits and survivor benefits be approved. Mr. Kearns seconded the motion and it carried unanimously.

The next item was the disability application of Colleen M. Jones who suffers from mental and physical stress. After

considerable discussion regarding the nature of her disability Mr. Burke made the motion that the Executive Secretary ask for more information in regard to whether the disability was of a permanent nature and if such evidence was provided that the disability be approved. Mr. Argenbright seconded the motion and it passed unanimously.

The disability application for Donna M. Walworth was next considered. Mrs. Walworth suffers from insulin dependent diabetes mellitus and ulcers of the feet. Mr. Argenbright moved that the disability be approved. Mr. Meske seconded the motion. The motion carried unanimously.

The Board then gave consideration to the next meeting and it was tentatively scheduled for January 27, 1984.

Mr. Kearns then moved that the meeting be adjourned which was seconded by Mr. Burke. The motion passed unanimously.

<u>RETIREMENT APPLICATIONS - AUGUST, 1983</u>	<u>AMOUNT</u>	<u>AGE</u>
Anderson, Willard (Retro to 07-01-83)	\$2,241.93	62
Brown, Catherine J. (Retro to 07-01-83)	1,036.22	55
Deming, Cecil C. (Retro to 07-01-83)	1,438.78	59
Eaton, Lucille P. (Retro to 07-01-83)	1,118.40	64
Eslick, Robert (Retro to 07-01-83)	2,143.65	67
Frank, Janis (Retro to 07-01-83)	746.71	56
French, Jeanne L. (Retro to 07-01-83)	402.46	53
Fritts, Donald H. (Retro to 07-01-83)	663.92	56
Gagermeier, Louis J. (Retro to 07-01-83)	1,377.90	61
Hanlan, Nova (Retro to 04-01-79)	188.01	55
Kauffman, Norman D.	74.48	60
Krall, James L. (Retro to 07-01-83)	2,093.07	64
McDonald, Joseph F. (Retro to 07-01-83)	650.06	50
Myxter, Marian L. (Retro to 07-01-83)	365.29	61
Nelson, Margaret (Retro to 07-01-83)	598.56	62
Peterson, David E. (Retro to 10-01-81)	321.92	54
Shoup, Barbara M. (Retro to 07-01-81)	260.40	61

AUGUST RETIREMENT APPLICATIONS CONT.

	<u>AMOUNT</u>	<u>AGE</u>
Smith, Bernadine R. (Retro to 07-01-83)	\$1,362.62	64
Stolz, Gustav Jr. (Retro to 07-01-83)	1,790.68	59
Taylor, Doris Fay (Retro to 07-01-83)	1,064.20	63
Temple, Kenneth L. (Retro to 07-01-83)	1,753.73	65
Wall, Minnie S. (Retro to 07-01-83)	2,077.42	60
Walter, Arthur A. (Retro to 07-01-83)	1,758.26	55

SURVIVOR BENEFITS - AUGUST, 1983

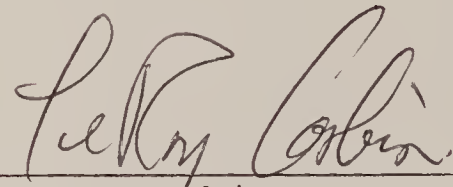
Lord, Norman D. (Survivor of Ruth Jean Lord)	63.44	48
Lynch, Mary C. (Survivor of Robert G. Lynch)	849.63	55
Stahl, Candace Lou (Survivor of Phyllis C. Smerer Retro to 07-01-83)	123.38	27

RETIREMENT APPLICATIONS - SEPTEMBER, 1983

Bauer, Roger E.	1,301.93	49
Bolen, Charles W. (Retro to 10-01-78)	198.01	55
DeHaas, Bernice (Retro to 07-01-83)	269.01	58
Hansen, Esther E. (Retro to 07-01-83)	480.97	67
Hanson, Florence J. (Retro to 07-01-83)	195.15	60
Jones, Mary P. (Retro to 07-01-83)	348.98	63
Logan, Frances M. (Retro to 07-01-83)	1,016.90	66
Macek, Raymond A. (Retro to 07-01-83)	852.17	52
Millis, George H.	1,931.57	65
Richardson, Ross (Retro to 07-01-83)	1,399.80	55
Steensland, Sara (Retro to 07-01-83)	1,238.94	63
Taylor, John J.	1,273.67	55
Tonkovich, Mina D. (Retro to 02-01-83)	80.53	64
Wickham, Gordon L. (Retro to 07-01-83)	1,205.17	56
Wilkinson, Gertrude F. (Retro to 07-01-83)	1,125.30	65
Young, Robert M. (Retro to 05-01-83)	138.94	58

SURVIVOR BENEFITS - SEPTEMBER, 1983

	<u>AMOUNT</u>	<u>AGE</u>
Deming, Cecil C. (Survivor of Cheryl A. Bandy Retro to 08-01-83)	331.66	59
Deming, Rosemary A. (Survivor of Cheryl A. Bandy Retro to 08-01-83)	314.65	56
Hugo, Ripley S. (Survivor of Richard F. Hugo Retro to 11-01-82)	717.02	54
Judge, Kate (Survivor of James F. Scofield Retro to 07-01-83)	127.62	30
Mickelson, Charlotte A. (Survivor of James F. Scofield Retro to 07-01-83)	129.75	34
Scofield, George J. (Survivor of James F. Scofield Retro to 07-01-83)	129.17	33
Scofield, Timothy (Survivor of James F. Scofield Retro to 07-01-83)	126.75	28
Smith, Sharon R. (Survivor of Donald L. Smith Retro to 08-01-83)	359.24	43



 LeRoy Corbin
 Chairman



 F. Robert Johnson
 Executive Secretary

EXECUTIVE SECRETARY'S REPORT

JANUARY 13, 1984

This office has been understaffed for some time due to the resignation of Bob Liston, Accounting Clerk, and the absence of Marjorie Rowley who is on maternity leave until February 13. Mr. Liston resigned effective October 4 and a replacement was not found until November 14 when we hired Helen Verwolf. Mrs. Verwolf had previously worked for the Purchasing Division on a temporary basis and more recently by the Cooney Convalescent Home. Mrs. Rowley manages the computer subsystem (membership accounting system). Since we did not fill the General Office Clerk's position when it became vacant in June we have been operating with 7-8 people instead of our normal 10. Hank Whitaker and his staff have taken up most of the slack, but everyone has been pitching in at times. As some work began piling up we hired Ann Alford to fill in temporarily in the General Office Clerk's position. Mrs. Alford has worked with us on a temporary basis for the past 3 years. About the time Mrs. Rowley returns, Vicki Hoff, who handles the retired teacher payroll and other related work, will be going on a two month maternity leave and Mary Andridge and Karla Rinehart will then be assuming some additional duties. We have managed to keep current and the staff deserves a lot of credit for their efforts.

We were able to acquire a mag card machine through the Donable Property program at a cost of \$25.00 plus the maintenance contract on the machine which runs around \$57.00 per month. Many of our form letters can now be put on the mag cards as well as board minutes and related board material and it should help immensely in our typing work. We have also purchased a new dictating system which utilizes micro cassettes with much more clarity on playback and more recording time than the old IBM belt system. IBM has discontinued marketing dictaphone equipment and had only one man who could repair the belt machines so we asked the 1983 Legislature for money to purchase the new system.

As indicated in the past report, I attended the MEA Convention in Great Falls and the School Administrators Conference in Missoula while Mary gave a presentation to the MFT here in Helena. Attendance at the MEA presentation was large (75-85) while the attendance in Missoula was only about 15 at each of the two sessions. Mary reported an attendance of around 30-35 at her presentation so in the two days we were able to speak to a large number of members. On November 7, I traveled to Big Timber to speak to a newly formed group of retired teachers and about 30 retirees

attended the session. Mary traveled to Great Falls on January 11 to give a presentation to members there and about 42 members were present.

Alton Hendrickson and I met with the MEA Retirement Committee on December 3, 1983 to discuss legislation they are considering. Discussion centered primarily around the costs to provide a 1/50 formula. One item not discussed was a recommendation to reform the structure of the Teachers' Retirement Board so that most members are elected by the membership. I advised the committee that the Board would be happy to work with them on their legislative proposals. Ken Meske was also present at the meeting and he may have some comments. I thought the meeting went quite well.

As you are aware, the Board authorized Systems Development Bureau to conduct a search into the possibility of acquiring a computerized membership accounting system from another state rather than developing our own system. Fortunately, the State of Oregon was doing a similar survey and we were able to provide Darrell Hagen with that information. Out of all the states surveyed only Texas and New Hampshire had systems that were compatible with Montana's hardware and software considerations. Further study eliminated Texas and it then took some time for Mr. Hagen to get the information he needed from the New Hampshire system. The material was received the latter part of September and was of a voluminous nature. Mr. Hagen reviewed the material and then Mary and I looked it over as to whether it met our requirements. There were some major differences, and it was decided that we pursue the development of our own system. We plan to use some things from the New Hampshire system so all was not lost in the process. Although the cost to develop our own system seems high, the New Hampshire system was developed by a private consultant at a cost of \$336,000 over a period of 2½ years. Mr. Hagen will provide the Board with a written report of his survey.

TEACHERS' RETIREMENT BOARD MEETING

JANUARY 20, 1984

The meeting was called to order at 9:40 A.M. by Chairman Corbin. Those present were:

Chairman LeRoy Corbin
Edward F. Argenbright
James Burke
William J. Kearns, Jr.
Kenneth Meske
J. Thomas Ryan
F. Robert Johnson
Mary L. Andridge
Owen Nelson - Representing MEA

The first item of business was consideration of the minutes of the meeting of October 13, 1983. Mr. Argenbright moved that the minutes be approved. Mr. Burke seconded the motion and the motion passed unanimously.

The second item of business was the financial statements, budget reports, and investment reports. Chairman Corbin asked the Executive Secretary for his comments. The Executive Secretary noted that short term rates are down and the long term investments are now above the short term rates. He also called attention to the number of mortgage loans purchased in that it was a greater number than have been purchased in the past and that yields were in the 12-13% range which is higher than some of the longer term bonds they have purchased. In regard to the financial statements he said we were approaching 300 million in assets and with the 14.364% contribution rate this will rise rapidly. The Executive Secretary said he felt the budget was in good shape and in lieu of the salary savings we have to come up with, that we were taking a conservative approach. The Assistant Executive Secretary then gave a report on the delinquent mortgages. Mr. Meske moved that the financial statements, budget reports and investment reports be approved. Mr. Kearns seconded the motion and it passed unanimously.

The Executive Secretary advised the Board that there is an interim legislative committee studying the investment laws and that the Legislative Council made a report and that he had copies available if any Board members are interested. He also mentioned that one former board member (Board of Investments) suggested that the retirement plans be represented on the Board of Investments and that he would pass on any comments to the committee. Discussion then ensued as to whether a representative from the retirement systems might be of benefit to our members. It was the consensus of the Board that the retirement systems

should be represented, preferably from the two major contributors PERS and TRS.

Alton Hendrickson, actuary for the System, entered the meeting at this point.

The Executive Secretary's report was the next item on the agenda and the Executive Secretary briefly commented on the report and added that Hank Whitaker, accountant, had resigned and with the maternity leaves, this will leave a hole in the office, temporarily. After some further discussion, Mr. Ryan moved that the Executive Secretary's report be approved. Mr. Burke seconded the motion. The motion passed unanimously.

The next order of business was the actuarial valuation and it was noted that Mr. Hendrickson was here to review the report with the Board. Chairman Corbin then asked for Mr. Hendrickson's comments. Mr. Hendrickson pointed out that the System is actuarially sound and the current contribution rate of 14.364% is sufficient to pay off all current costs as well as amortize the unfunded liability over a period of 40.25 years. He then reviewed the contribution rate changes and benefit changes which occurred during the last legislative session. The contribution rates increased in order to finance retirement after 25 years of service instead of 30 and also to reduce the funding period from 48.50 years to 40.25 years. He also said that salaries increased 21.9% during the two year period, 81-83, while we had anticipated only 11.3%. This resulted in an actuarial loss which was somewhat offset by an investment return of 10.5% compared to the assumed earnings rate of 7%. Mr. Hendrickson commented on the fact that we expect the rate to be comparable to the rate of inflation, but there seems to be a lag in this respect.

Mr. Hendrickson then talked about some of the more important assumptions used such as rate of inflation, and rate of investment and the fact that we say the System is solvent but the unfunded liability continues to increase. He noted that it increased from \$400 million to over \$500 million and likened it to a \$10,000 loan where you're going to pay it off monthly and have the means to do it. While the unfunded liability increased, contributions also increased so that your assets represented by your future expected contributions directly offset these increased liabilities, so the System stays solvent while the numbers get bigger because of increased benefits. Mr. Argenbright asked if the interest rate is going to be assumed to remain at high levels? Mr. Hendrickson said we didn't change our interest rate assumption on earnings. If interest rates are going to remain at 10% and inflation is going to stay at 4%, the picture is a lot rosier than it appears here. Mr. Hendrickson said that your investment earnings and your cost-of-living increases tend to offset one another. A quick measurement is what's the difference between your long term investment earnings assumption and your long term cost-of-living assumption. We're looking at a 1½% difference which is

the real rate of return. Economists, in their projections and looking at the past, have found that the real rate of return has always been between 1% and 2% on a long term basis. The two go very much hand-in-hand. We use an investment assumption of 7% and a cost-of-living factor of 5½% for a net real rate of returns of 1½%. He said it is time for the Board to look at increasing the investment earnings assumption. The interest rate assumption of 7% is right in the middle of what other pension funds in the country are using. The problem lies in increasing the cost-of-living rate in light of what has happened over the last two years. He went on to say that the assumptions we are using are probably conservative but represent a reasonable estimate of what we expect in the future. One very important product of the valuation is to make certain that this generation of taxpayer is paying their fair share. Mr. Kearns asked why not change these assumptions now? Mr. Hendrickson said he is just suggesting that we look at these things in two or three years. Cost-of-living in the last four years has jumped around a lot and you have to look at them both when considering changing assumptions and the options should be presented to the Board before the next valuation. Mr. Burke suggested that until you have the next election and get the change in philosophy in Washington, things could change drastically. Mr. Corbin then asked if there was any way the Board could grant a cost-of-living increase should we have a banner year, say in the investment return. Mr. Hendrickson said we don't really know what a banner year might be in that there is so many bad years too, and we simply hope that over a long period of time that the bad years will wash when the good years occur. Although the System is well funded, we are still 500 million short. M. Valencia Lane, attorney for the Board, entered the meeting at this time.

Mr. Hendrickson said he is very pleased with the data provided. The statistical data, salaries, age and service of employee was then reviewed as well as the method of funding the System and defining normal costs. Mr. Hendrickson said that represents the level cost for future benefits and the unfunded liability represents the excess of the present value of total liabilities over present assets of the system and the present value of expected future contributions for normal costs. Mr. Hendrickson then commented on the other assumptions used in the valuation. Chairman Corbin added that the report is now much more meaningful than the older reports in that it contains more usable information. Chairman Corbin then asked if there were any further comments and if not he would accept a motion that the actuarial valuation be approved. Mr. Kearns moved that the report be accepted and Mr. Burke seconded the motion. The motion passed unanimously.

Discussion then shifted to the cost to provide 30 days of service for an unpaid leave of absence. Mr. Hendrickson had provided a letter in which he indicated the cost for 700 members was

\$238,609 and that the additional percentage of salaries required to fund this benefit was .004%. If no funding was provided, the amortization period would go from 40.25 years to 40.29 years. The inequity Mr. Hendrickson said is that you're asking 14,000 members to pay for 700 members. The figures could be adjusted for a different number of members and a different length of time.

The cost to provide a formula of $1/50$ for each year of creditable service was next addressed. The cost was based on future service only which Mr. Hendrickson says he has to support because there is no way the unfunded liability is going to go down unless we stop going backwards and giving credit for past service. The costs indicated in his letter would not result in an increased unfunded liability. If, however, the new formula was to apply to all members there would be an increase of approximately $1\frac{1}{2}\%$. Mr. Meske said that the Board should be aware that this will be an issue and the Board should take a position on the proposal.

The Board then thanked Mr. Hendrickson for his visit and he left the meeting.

The Executive Secretary said that Valencia Lane was here to give a legal report and also to address a letter sent by the Executive Secretary in which he had requested looking at the feasibility of the Board granting up to 30 days of unpaid leave provided the employer and employee contributions were received on the salary lost while the member was on leave. Mrs. Lane then passed a memorandum to each member present. She said the Board would recall that representatives of the MEA were here in October requesting the Board to grant up to 30 days of service for unpaid leave in accordance with 19-4-204(2) MCA. Since the Board meeting, the Missoula County Teachers' Association has sued the Board on the denial of the MEA's request. In addition, an unfair labor practices suit has been filed by the Missoula County Teachers' Association against the Missoula County High School Board because of the fact they paid non-striking teachers and not striking teachers. The Executive Secretary had suggested adopting a rule which would allow creditable service of up to one month for absence without pay. Mrs. Lane said she feels it would be legal and feasible to adopt such a policy. She said it would be her suggestion that the Board adopt the policy and limit it to absence without pay which was approved by the local governing school body. She said she could not recommend at this time that the Board grant creditable service for strike time simply because of the pending litigation and whether or not the Board chose to do that later as long as litigation is going on with the district court suit involving the TRS Board and we have the unfair labor practices before the Board of Personnel Appeals. Mrs. Lane said that if the Missoula School Board loses they probably would appeal to district court and possibly even to the Supreme Court. If

they do eventually lose the suit and are required to pay the striking teachers, retirement contributions would have to be reported and the suit against the TRS Board would become mute at that point. The Executive Secretary said that he was trying to provide a way out for someone who did take leave beyond their control and allow them a way to buy that service and at the same time protect the financial integrity of the System. Currently, the way the law reads, the Board could grant up to 30 days without requiring contributions but you would have to apply that policy and be consistent, therefore, the proposed rule is simply a clarification of that statute and sets forth certain conditions by which the service is granted. It would require that we receive both the employee and employer contributions. However, the employee could negotiate with the employer to pay his or her share or the employee could pay both shares. He added that this would also preserve a member's 3 year consecutive years salary in the calculation of benefits. Chairman Corbin asked Mrs. Lane if it were her suggestion that we adopt this as policy or rule? Mrs. Lane said that she received a request from the Executive Secretary and is reporting back that it is feasible and legal to do it. Any policy that is adopted should be done by rule which means the Montana Administrative Procedures Act requirements apply. You have to have notice and post it in regard to the Administrative Rules of Montana and she is suggesting that if you want to adopt the rule, that is the way to do it. Mr. Meske asked what the effective date of any such rule would be? Mrs. Lane said that there has to be notice of intent to adopt, you have to publish the rule for 30-45 days before you can adopt. You have to conduct a hearing if a certain number of members ask for a hearing. Once the rule has been published the rule would then be adopted and effective the next day after the adoption and publishing of the rule. Mr. Burke said it would be a good idea to adopt such a rule and would be willing to make a motion to the same. Mrs. Lane said that it would not include strike time unless it was a strike approved by the School Board. Mr. Burke said we should provide some method or means so that a member is not unduly penalized for taking unpaid leave. Mr. Burke then moved that the rule be drafted for Board consideration that if the school district board approves the leave of absence and if the employee and employer contributions are received we will allow up to 30 days of leave time. The motion was seconded by Mr. Kearns and passed unanimously.

Business then went to the legal report and Mrs. Lane said her legal report was basically that we have been served with a suit by the Missoula County Teachers' Association and the suit is not moving probably because of the hearing before the Board of Personnel Appeals. Mr. Ryan moved that we adopt the legal report. Mr. Burke seconded the motion and it carried unanimously. The meeting then adjourned for lunch.

Chairman Corbin reopened the meeting at 1:30 P.M. and the next item on the agenda was Delores Bowman. The Chairman asked for

comments by the Executive Secretary who said that Mrs. Bowman requested to meet with the Board in regard to unpaid leave during the 82-83 school year which would result in her not receiving a full year of service credit for that year. Mrs. Bowman is petitioning the Board on the basis of the statute which permits the Board to grant up to 30 days of unpaid leave. Mrs. Bowman said she had brought her husband to present her case. Chairman Corbin then asked Mr. Bowman to present the case. Mr. Bowman said the leave was a personal decision of Mrs. Bowman and he entered into that decision with her and she was attempting to pay for that leave. The leave was for a military reunion and also to go to Caracas and they petitioned the district in Great Falls and it was approved without pay. Mr. Bowman said they were not aware that it would result in a loss of benefits and that he personally went over to see the Director of Personnel and asked if there was anything wrong in going on leave. The leave occurred over a period of two months and also included time with their daughter who was participating in a Miss USA pageant. The first leave was 12 days and the second leave was a period of 5 days. The second leave was also approved with no warning that it would reduce our benefits. He said that the administrative people in Great Falls were also unaware that the leave would effect retirement benefits and that it was first brought to their attention when they visited the office here in Helena and spoke with Mrs. Andridge. It was brought to their attention while attending a couple of meetings that unpaid leave could be purchased and they wrote the letter and received the letter from Mr. Johnson. Mr. Bowman then questioned Mr. Johnson on how creditable service was determined. Mr. Bowman said that if they were forced to use salaries from 78-82 it would reduce salaries about \$84.00 a month. The Executive Secretary said the actual difference would be \$86.69. Mr. Johnson then explained how the employer reports service. Mr. Bowman then referred to the Handbook of Information concerning definitions of full-time service, part-time service and earned compensation. Mr. Bowman said that nowhere in the Handbook does it mention 180 days nor does the law mention 180 days were required and did not feel it was the intention of the Legislature that a full-time member be penalized and a part-time employee benefit, not in accordance with the definition of earned compensation. Mr. Bowman believed that the 180 days is a technicality that they were caught up in. Chairman Corbin then said to Mr. Bowman that the philosophy of the Board is for the member and that in hearing your case, possibly some blame lies with the System and the school district and that you were not to blame. Mr. Bowman stated that the Legislature gave the Board the right to decide the issue and wanted the Board to realize that Mrs. Bowman was being penalized unjustly. The Chairman asked for discussion from the Board. Mr. Ryan asked whether sick leave was granted for someone who did not work the full time. Mr. Meske said that in Great Falls, 12 days are granted at the start of

the year and are not earned on a monthly or hourly basis. Mr. Meske asked Mr. and Mrs. Bowman whether they were willing to pay for that time and Mrs. Bowman said they were. Mr. Meske felt they stated their case well and that they understood what it would cost should the Board grant their request. Mr. Kearns asked about the problems created if it were granted? Mr. Johnson said that if it was granted you have to be consistent with the policy. Chairman Corbin then asked for Mrs. Lane's comments and she said that she would only caution the Board that if you are going to establish a policy, it should be done by rule and that it should be applied consistently. She said she would not advise the Board to grant a benefit of this nature until the rule is established. The Executive Secretary said that Mrs. Bowman has a problem in that in order to receive termination pay she has to advise her school board by a certain date. Mrs. Lane suggested the Board consider approving the request pending final adoption of the rule. Mr. Meske said that he would so move. Mr. Kearns seconded the motion. Chairman Corbin advised the Bowman's that the Board was considering adopting a rule and Mr. Burke cautioned that the notice has to be posted and a waiting period of 30-45 days must occur before the Board can take action. Mr. Bowman asked that the Board approve their request, then there is no question about Mrs. Bowman's full-time service. Mr. Meske's motion was then voted on and passed unanimously.

Chairman Corbin advised the Bowman's that a letter would be sent verifying the contributions due. Mr. Bowman said they advised the Board Mrs. Bowman would retire contingent upon what would happen here. Mrs. Lane said that a special meeting be called in order to make their intent known to adopt the rule. Mr. Argenbright said that he would make a motion that we go ahead and approve the Bowman request now, based on the guidelines of the proposed rule. Chairman Corbin asked Mrs. Lane if this establishes a precedence and Mrs. Lane said she would be reluctant to advise this. Chairman Corbin noted that the motion had already been voted on. Mrs. Lane said that as an attorney she would like to see the rule in effect before final approval. Mr. Bowman said that final adoption would occur after Mrs. Bowman had resigned, therefore, they would like to see a decision by the Board today. Mr. Meske moved that we act on the decision today and Mr. Argenbright seconded the motion. Mr. Burke said there is a problem in that the new motion is contrary to the original motion which was unanimously passed. Mr. Arbenbright then withdrew his second and Mr. Meske withdrew his motion. Mr. Meske then said they had all voted on the original motion but they could vote on a motion to reconsider his motion. Mr. Ryan then so moved and Mr. Argenbright seconded the motion and it passed unanimously. Mr. Meske then moved that we approve the Bowman case today in view of the guidelines we are looking at which will result from the adoption of the rule. Mr. Kearns seconded the motion and the motion passed unanimously. Mr.

and Mrs. Bowman then thanked the Board and left the meeting as did Mrs. Lane.

Business then reverted to the matter of establishing long term goals. Mr. Burke said that a special day or time should be set aside for this purpose. In lieu of the action the Board must take on the proposed rule, it was decided that February 10, 1984 be the day for the meeting on the long term goals and the proposed rule.

The next item of business was the selection of delegates to the NCPERS Conference, March 18-22 in Bal Harbour, Florida. Mr. Burke moved that Mr. Kearns and Mary Andridge attend the conference. Mr. Meske seconded the motion and it passed unanimously.

The case of Alma Anderson was next discussed. The Executive Secretary said that Mrs. Anderson was receiving a benefit as the result of the death of her husband in 1979 and when he retired he provided that upon his death she would receive \$100.00 per month. On July 1, 1981 retirees received an increase in benefits based on 50¢ per year of creditable service and a minimum benefit increase of \$300.00 multiplied by the number of years of service divided by 30. The increases were calculated by a computer program written by Alton Hendrickson based on information provided by this office. Mrs. Anderson was not eligible for a minimum benefit increase because of the particular option selected by her member husband but was placed in the wrong option for calculation of the increase and as a result received a \$75.00 per month increase. According to the law, when such an error is discovered, we must adjust the benefit so that the System will be reimbursed and the recipient receives the actuarial equivalent. Mr. Hendrickson had provided us with the amounts but also recommended that since the monthly benefit would be reduced under the original amount granted of \$100.00 per month that the Board consider providing the \$100.00 as her life expectancy is 9.95 years and, therefore, would reimburse the System for the overpayment. Mr. Burke moved that we pay her the \$100.00 per month. Mr. Ryan seconded the motion and it passed unanimously.

In other new business, the Executive Secretary said that each Board member had received a letter from MEA requesting that a copy of the agenda, and when available, the board minutes, be sent to them. He said this is contrary to Board policy which has stated the material is available here at the office and anyone interested can pick them up. After some discussion as to what other boards do and a statement from Owen Nelson representing the MEA that all other boards they have an interest in, do send them copies, Mr. Ryan moved that any organization requesting agenda and minutes and who provides stamped self-addressed envelopes be sent a copy of the agenda and board minutes. Mr. Meske seconded the motion and the motion passed unanimously.

Approval of retirement and survivor benefits was next considered and Mr. Burke moved that the regular retirement and survivor benefits be approved. Mr. Kearns seconded the motion. Mr. Meske asked if it was not proper to provide the address and years of service as he felt it could be helpful. The Assistant Executive Secretary advised him that that could be done. The motion then passed unanimously.

Disability applications were next considered.

Raymond Macek, age 52, Great Falls, who was receiving a regular retirement as of 7-1-83 asked that his retirement be changed to a disability on the basis of a benign mesenchyoma which has confined him to a wheelchair. Mr. Burke moved that Mr. Macek's request be approved. Mr. Kearns seconded the motion and it passed unanimously.

The Executive Secretary then advised the Board that at the last meeting, Colleen M. Jones had submitted an application for disability on the basis of mental stress and the Board had requested additional medical information as to whether the illness was of a permanent nature, and if so, gave the Executive Secretary authority to approve the disability claim. The physician returned a statement which said that the patient would be fit to return to work full-time in the fall of 1984. The Executive Secretary said he denied the request on the grounds that 19-4-901 MCA states "in order for a member to be eligible for disability retirement, the retirement board must certify that he is mentally or physically incapacitated for the further performance of his duties, that such incapacity is likely to be permanent and that he should be retired." The Executive Secretary said the Board could either concur in the decision or approve the application based on the additional information. Mr. Ryan moved that the Executive Secretary's judgement be concurred in. Mr. Argenbright seconded the motion. The motion passed unanimously.

The next disability application was for James A. Wrightson, age 45, Billings, who is suffering from brain damage and impairment of emotional control and cerebral function. Mr. Meske moved that it be approved. Mr. Burke seconded the motion. The motion passed unanimously.

The Board then set the next meeting for April 12, 1984.

Mr. Kearns moved that the meeting be adjourned. Mr. Argenbright seconded the motion and it passed unanimously.

RETIREMENT APPLICATIONS - OCTOBER, 1983

	<u>AMOUNT</u>	<u>AGE</u>
Creaser, Russell L. (Retro to 09-01-83)	\$ 735.06	50
Cummings, Bayless E. (Retro to 07-01-83)	679.87	58
Frank, Charles L. (Retro to 09-01-83)	2,157.73	62
Goodenberger, Dorothy	904.07	55
Henley, Wesley W., Jr. (Retro to 09-01-83)	733.79	52
Horne, Helen	122.72	60
Hovland, Donald G. (Retro to 07-01-83)	183.43	50
Logan, Charles D. (Retro to 09-01-83)	110.35	60
Schweitzer, Sarah A. (Retro to 07-01-83)	353.16	50
Steen, Forest R. (Retro to 09-01-83)	151.59	59
Ulmer, Benjamin A. (Retro to 09-01-83)	1,786.97	64

RETIREMENT APPLICATIONS - NOVEMBER, 1983

Dyer, Doris M. (Retro to 07-01-83)	376.96	54
Johnson, Norbert E.	1,152.09	53
Lake, Judith	340.44	50
Rosencrans, Barbara (Retro to 07-01-83)	326.21	51
Sauke, Arline M. (Retro to 10-01-82)	194.37	60
Vandewetering, John E. (Retro to 07-01-83)	1,707.74	56

SURVIVOR BENEFITS - NOVEMBER, 1983

Brattin, Jan (Survivor of Frank Brattin)	153.25	32
---	--------	----

RETIREMENT APPLICATIONS - DECEMBER, 1983

Angle, Alma Jean (Retro to 11-01-83)	440.47	53
Caudell, Ollie C., Jr. (Retro to 07-01-83)	393.42	52
Fischer, John (Retro to 11-01-83)	104.21	60
King, Bruce	280.48	55
Sandve, Evva (Retro to 07-01-83)	168.89	61
Wiltse, Chloryce J.	582.58	50

SURVIVOR BENEFITS - DECEMBER, 1983

AMOUNT

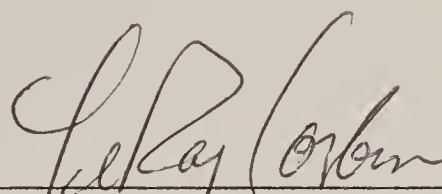
AGE

Shafizadeh, Doreen M.

\$1,686.20

52

(Survivor of Fred Shafizadeh
Retro to 11-01-83)



Leroy Corbin
Chairman



F. Robert Johnson
Executive Secretary

EXECUTIVE SECRETARY'S REPORT

APRIL 4, 1984

Requests for estimates and costs to buy service always pick up at this time of year and March was a particularly busy month in that respect. We mailed 68 estimates of retirement benefits in addition to a large number of people who were in the office. The spring breaks and basketball tournaments provide many members with the opportunity to visit the office to discuss their retirement plans. The 25 year retirement has created a lot of interest in regard to buying service and over 100 requests were answered during February and March. We have received 30 retirement applications for retirements effective July 1, 1984. This number is probably not any greater than what we normally receive at this time of the year.

On March 26, James Ferron was hired to fill the Accounting Specialist position vacated by Hank Whitaker. Mr. Ferron is a graduate of Carroll College with a degree in accounting and has been working as an accountant for Columbia Paint. He has also served in the Peace Corps and has passed four parts of the CPA Examination. Twelve applications were received and Mary and I interviewed four. A structured interview was used to determine who we thought was the best qualified.

On January 27, I travelled to Missoula to give a presentation to teachers of Missoula County High School. It was part of an in-service training session and about 35 teachers attended. On February 23, I was asked to participate in a retirement planning workshop at the University of Montana. There were about 75-80 faculty present. Representatives from the Social Security Administration and Personnel Office of the U of M also participated in the program. Mary Andridge travelled to Butte on March 27, to give two presentations to Montana Tech people and about 36 attended. The Montana Association of School Administrators had their Spring Convention on April 7, in Helena and I gave three one-hour presentations. I was also served a subpoena to appear as a witness to testify at a trial in Great Falls on March 21, involving a retired member of TRS who is suing her former employer on the basis of age discrimination. With the NCPERS Conference in Bal Harbour, Florida, March 18-22, attended by Mary and Bill Kearns, the past two and one-half months have been fairly active from a travel standpoint.

We have received a copy of H.R. 5144 which is another attempt to provide reporting, disclosure, and fiduciary standards for State and local public employee retirement systems, so is something we will have to watch closely.

SPECIAL BOARD MEETING

FEBRUARY 10, 1984

A special meeting to consider a proposed rule to implement 19-4-204(2) MCA was called to order at 9:30 A.M. by Chairman Corbin. Those present were:

Chairman LeRoy Corbin
James E. Burke
J. William Kearns, Jr.
Kenneth M. Meske
J. Thomas Ryan
Mary L. Andridge
F. Robert Johnson
M. Valencia Lane

Also attending were James McGarvey and Terry Minow of the Montana Federation of Teachers, David Sexton and Owen Nelson of the Montana Education Association and Chip Erdmann of the Montana School Boards Association.

Chairman Corbin then noted that the Board had received a copy of the proposed rule (copy attached) to grant up to one month of creditable service for unpaid leave. Chairman Corbin said he was troubled by the language that the leave must be approved by the school board and some language should be adopted to provide relief for a member to have leave allowed on a case by case basis by the TRS Board if the leave was not approved by the school board. Mrs. Lane said that language could be drafted that way but the Board would be getting into a situation where they are going to have to look at each individual case. Mrs. Lane added that the MEA has suggested adding wording which would also allow leave if it was legally permissible and that if the Board wished to consider such language, that a definition of "legally permissible" also be included. She further suggested that you draft a rule specifically citing the state statute which allows maternity leave and military leave. Discussion then followed as to whether the wording "legally permissible" should be included and whether a definition should be applied. Mrs. Lane advised the Board that strike time was also legally permissible and that was the heart of the difference between the proposed rule and the language suggested by the MEA. Mrs. Lane then reminded the Board of the current lawsuit pending in Helena District Court against the Board, asking the Court to require the Board to grant creditable service for strike time. Mrs. Lane said it would be advisable to wait for a ruling from the District Court to determine whether or not creditable service should be granted for strike time. If the Board did choose to adopt a rule crediting service for strike time, it would render the case

mute and the District Court would dismiss it on that count. Mrs. Lane said that there were some concerns voiced that if you don't allow it you are putting a chilling effect on teacher's right to strike and if you do allow it, then you are taking away part of the bargaining process from the employer and changing the balance between the contracting parties.

Chairman Corbin then asked for comments from the various member groups.

Mr. McGarvey of the Montana Federation of Teachers, AFL-CIO, then addressed the Board. Mr. McGarvey said his organization doesn't feel the same way about strikes as the MEA and felt it was the intent of the law to allow someone who was off a couple of days to receive creditable service for that time without having to remit the contributions. Mr. McGarvey felt that the Board should consider these situations on a case by case basis and that adoption of the proposed rule would violate the intent of the law. Mr. McGarvey added that if you do allow strike time and striking employees are able to pay back this money, it is pretty obvious to him who you are favoring and you are prejudging whether it is a legal or just strike. Mr. McGarvey did not feel that a rule was needed in light of the present law and consideration by the Board on a case by case basis would fulfill the intent.

Dave Sexton of the Montana Education Association said the MEA believes the Board should adopt a rule and that the law doesn't say you do it on a case by case basis, but that there should be some guidelines in the form of a rule. Mr. Argenbright entered the meeting at this point. Mr. Sexton went on to say that the Board has an obligation to adopt rules whose effect will be to have consistent and non-discriminatory application. MEA is arguing for consistency and it shouldn't be on an ad hoc basis. Mr. Sexton said there would be a great deal of inconsistency if it were left to the school board. Mr. Sexton then submitted an amended copy of Mrs. Lane's rule to the Board. The changes were striking "governing school board" in section 2(a) and inserting "employer" and in section 2(b) striking "school" and inserting "fiscal". The substantive change suggested was in section 2(a) adding "unless legally permissible without employer approval". Mr. Sexton added that the right to strike is certainly legally permissible and unless the Board does adopt a rule, they are in fact taking sides in a labor dispute.

Chip Erdmann representing the School Boards Association then addressed the Board and thanked them for the opportunity to attend the rule drafting session. Mr. Erdmann said that they were happy with the rule now and do not have any problems with the proposal. Each school district is an individual agency and the proposed rule could give each employer the

right to establish leave policy. The School Boards Association does not feel it should be automatically extended to strikes as it would upset the collective bargaining process and that it can be a subject in the bargaining process.

Considerable discussion followed regarding whether contributions should be required and Mrs. Lane said the rule was drafted to provide for contributions and she would advise the Board against making ad hoc decisions and creating situations where the Board could be said to be discriminatory. That situation could be dangerous and inconsistent. Mrs. Lane strongly recommended that the Board adopt a rule and apply it in a consistent manner. Mr. Kearns asked Mrs. Lane how the pending court case affects the rule. Mrs. Lane said the court case will determine whether or not the Board must adopt a rule in regard to granting strike time and it still would be at the Board's discretion to determine what is the Board's duty in relation to adopting a rule. If the Board would like to adopt a rule to grant service other than strike time, you could go ahead and do that, leaving out the MEA suggested language.

Owen Nelson of the MEA said he agreed with the attorney that the Board has to act in a consistent manner.

The wording "legally permissible" was then discussed with some members feeling it was alright and others that it would create problems unless defined in the rule. Mrs. Lane said she would like to see it defined and narrowed in the rule and specifically citing the sections of the law that dealt with leave situations. Mr. Burke said that what we are dealing with here is a strike situation and we should consider the strike issue. Mrs. Lane then suggested that we allow the lawsuit to run its course and see what the Court says the Board's obligation to allow creditable service for strike time is, and in the meantime you adopt a rule to cover everything but strike time and when the case is resolved, amend or leave the rule as is. Mr. Sexton said the whole point of the lawsuit is that the Board has not adopted a rule and a lawsuit is not needed if a rule is adopted. He added that if we let the court case run its course we are talking about spending an awful lot of money and time and a long period of uncertainty.

Mr. Burke asked what the legislative intent was when the law was made and were they considering all these things such as strikes, maternity leave and military leave. Mrs. Lane said that even though this particular statute was adopted in 1971, from what she could tell, the law prior to 1971 had the same language and goes all the way back to 1937 and public employees did not have the right to strike until 1973, so she doesn't believe that it contemplated strike time. She went on to say that at that time, there probably was not vacation or sick leave benefits and this law was to alleviate those situations and at the very least was not

intended to address strike time. Mr. Ryan commented that the 1937 law was allowing the Board discretionary power that we are now trying to limit.

Mrs. Lane then outlined the procedures the Board must go through to adopt a rule.

Discussion then centered around possible language changes and whether or not the Board would be inserting itself into the middle of a contractual arrangement. Mrs. Lane then suggested that the Board adopt one of the proposed rules and post notice of adoption, hold a hearing and receive testimony and decide at that time, which is the same thing as saying you are postponing your decision.

Mr. Burke moved that we adopt a motion supporting the rule submitted by Mrs. Lane but inserting "employer" where "school board" appears in section 2(a) and in 2(b) inserting "fiscal year" in place of "school year". Mr. Kearns seconded the motion. Mr. Meske then moved to amend the motion to add the portion suggested by the MEA in section 2(a) "unless legally permissible without the employer's approval". Mr. Ryan seconded the motion. Mr. Ryan said he would go further and say in 2(b) that "contributions must be made in an equal amount" rather than "the member must contribute". Mr. Meske said that he would accept that editorial change. Mr. Argenbright then asked if we would be including strike time by including the amendment of Mr. Meske and Chairman Corbin replied in the affirmative. Mrs. Lane suggested that an editorial change be made to the MEA's suggestion "unless permitted by state law without the employer's approval". Mr. Meske said that he would accept the wording "state law" as part of the amending motion. Mr. Ryan accepted the change to his second of the motion. The Chairman then called for a vote on the motion. The vote was two votes aye and three votes nay, therefore, the motion failed for lack of majority of the four votes required. Business then reverted back to Mr. Burke's original motion. Mr. Burke said that a change could be made at the hearing but he would not object to changing the language in 2(b) to read that "contributions must be made in" and striking "the member must contribute". Mr. Kearns approved the change to his second of the motion. Chairman Corbin stated that he had a problem with the employer approving the leave. Mr. Kearns said the purpose is to let the change occur at the hearing if changes are suggested and to keep the rule basic. Mrs. Lane said the whole purpose of the rule is that you establish a rule determining which service would be creditable and which will not. Mr. Kearns then called for the question and at the request of Mr. Ryan, Chairman Corbin explained the motion. With Chairman Corbin voting the vote was three ayes and three nays and the motion failed because of the requirement that a majority of the Board present (four votes) was needed to pass a motion. Chairman Corbin then asked for the wishes of the Board and it was decided to leave it up to the court case.

PROPOSED RULE GRANTING
CREDITABLE SERVICE FOR
ABSENCE WITHOUT PAY

RULE I. CREDITABLE SERVICE FOR ABSENCE WITHOUT PAY (1) A member may apply for creditable service for approved absence without pay.

(2) Creditable service for absence without pay will be awarded upon the following conditions:

a) the governing school board must certify that the absence was approved by the school board, and

b) the member must contribute an amount equal to the figure arrived at by multiplying the employee-employer contribution rate in effect at the time the unpaid leave was taken by the salary the member would have earned during the unpaid leave, plus interest at the rate the contribution would have earned if the contribution had been in the member's account at the end of the school year in which the unpaid leave occurred.

(3) The total creditable service for absence without pay may not exceed 1 month's creditable service.

(AUTH: 19-4-201, MCA IMP: 19-4-204, MCA)

Mr. Nelson said that in adopting language "legally permissible", and then the court case down the line would determine if that one issue is legally permissible, therefore, no change would be necessary. Mrs. Lane pointed out that if that language would be adopted the court case would be mute. Further discussion continued around writing a rule that would be acceptable. Mr. Erdmann said that by doing nothing and waiting for the lawsuit to give you a direction would be the best approach. The Chairman noted there seemed to be a stalemate and with that, Mr. Ryan moved for adjournment of the special meeting. Mr. Burke seconded the motion and the motion carried unanimously.

Mr. Ryan then moved that the Board reassemble to consider anything anyone wanted to bring up as well as the minutes of the last meeting. Mr. Meske seconded the motion and it carried unanimously.

Mr. Meske moved that the Board reaffirm the Board's position on the Bowman situation with her paying for the service. Mr. Kearns seconded the motion and the motion passed unanimously.

Mr. Burke said that it would be more proper if we correct the minutes and Mr. Rayn suggested the Board consider withdrawing Mr. Meske's motion and move to correct the minutes. Mr. Argenbright seconded the motion. The motion carried unanimously.

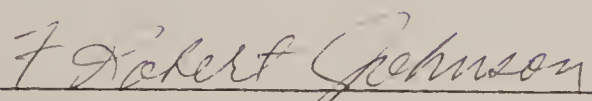
Mr. Meske then moved that the word "tentatively" be struck from page 7 of the minutes. Mr. Argenbright seconded the motion. The motion carried unanimously.

Mr. Burke then moved that the minutes be approved as amended. Mr. Ryan seconded the motion and it carried unanimously.

Mr. Argenbright then informed the Board that he would be unable to attend the afternoon session and conversation steered towards the afternoon's topic. Mr. Burke had prepared some suggestions and these were then discussed. Mr. Argenbright said the fiscal soundness of the System was of prime importance. After some further discussion, Mr. Burke moved that the meeting be adjourned. Mr. Kearns seconded the motion and it passed unanimously.



LeRoy Corbin
Chairman



F. Robert Johnson
Executive Secretary

146

TEACHERS' RETIREMENT BOARD MEETING

APRIL 12, 1984

The meeting was called to order at 9:30 A.M. by Chairman LeRoy Corbin. Those present were:

Chairman LeRoy Corbin
James E. Burke
J. William Kearns, Jr.
Kenneth M. Meske
J. Thomas Ryan
Mary L. Andridge
F. Robert Johnson

Also attending was G. V. Erickson, President of the Montana Retired Teachers' Association.

The first item of business was consideration for approval of the admended minutes of the meeting of January 20, 1984. Mr. Burke moved that the minutes be approved and the motion was seconded by Mr. Ryan. The motion passed unanimously.

The Financial Statements, Budget Report and Investment Report was the next item of business. The Executive Secretary commented on the growth in assets due to the higher contribution rates. Mr. Kearns moved that the Financial Statements, Budget Report and Investment Report be approved. Mr. Burke seconded the motion. Under discussion, the Assistant Executive Secretary said she would like to give the Board a report as to how our delinquent mortgages compare to the national rate. The national rate is 5.66% while the TRS rate is 2.7% for mortgages delinquent 50 days or more. Chairman Corbin wondered why the rates were so different and the Assistant Executive Secretary said it was probably due to the good job the servicer's do. Mr. Kearns then asked to look into what Ensearch Corporation was since there was a two million dollar purchase. There being no further discussion the Chairman called for the question. The motion passed unanimously.

The Executive Secretary's Report was next reviewed and the Chairman asked for comments from the Executive Secretary. He then commented on each section of the report. A lot of discussion centered on the PEPPRA bill, HR 5144, which was again introduced in the House. An identical bill, without tax provisions, HR 5143, was also introduced and Representative Pat Williams was listed as one of the co-sponsors. Chairman Corbin asked the Board whether we should adopt a position and so advise our Congressional delegation. The Executive Secretary said a lot of people think it's going to cure the financial woe's of public pension systems but there is no provision for government support or financing of financially

troubled public pension plans. The Executive Secretary said that there is a provision in the bill which allows exemption if the Governor of the State will certify that the particular State meets the PEPBRA provisions. At this point there was a power outage and the recording capability was lost. The Board directed the Executive Secretary to inform our Congressional delegation about our position on the bill by writing a letter and calling Mr. Williams' office. Mr. Kearns moved that the Executive Secretary's Report be adopted and the motion was seconded by Mr. Meske. The motion passed unanimously.

As a result of the power outage, the order of business shifted to regular retirement and survivor benefits. Mr. Burke moved that the regular retirement benefits and survivor benefits be approved. Mr. Kearns seconded the motion and it passed unanimously.

Disability applications were the next order of business and the first was that of Elinore E. Lamach, Miles City, who was seeking a disability due to impaired circulation and reduced mobility as the result of bypass operations. Mr. Burke moved that Mrs. Lamach's application be approved. Mr. Kearns seconded the motion and it passed unanimously.

The disability application for Joseph L. Maes, a woodshop teacher in Anaconda, was next reviewed. Mr. Maes suffers from a pulmonary disorder complicated by the removal of a cancerous lung. The dusty working conditions make it a further hardship. Mr. Burke moved that the application be approved. Mr. Ryan seconded the motion and it passed unanimously.

The third disability application was from JoAnn McNeil of Polson. Mrs. McNeil is suffering from a form of epilepsy which has resulted in severe seizures, which precludes her from teaching. Mr. Meske moved that the application be approved. The motion was seconded by Mr. Argenbright. The motion passed unanimously.

The order of business reverted to New Business and the NCPERS report. Mr. Kearns handed everyone present a written copy of his report and said that one thing which was stressed was direct contact with Congressional representatives and to keep them informed on retirement matters. Also the current trends towards liberalization of quality investments in order to improve yield and provide more flexibility was also an item of discussion.

The Assistant Administrator then covered some of the topics such as PEPBRA, Social Security, the report of Public Pension Plans by Bankers Trust, tax-deferred program 414(k) and a workshop on investment opportunities. After some further discussion about the PEPBRA legislation, Mr. Argenbright moved that the NCPERS report be approved. The motion was seconded by Mr. Ryan and it passed unanimously. During the report the electricity was restored and business then resumed to the order of business on the agenda.

The letter from Joint Interim Committee #3 was next considered. The Executive Secretary said that everyone has a copy of the letter dated April 4, 1984 in which they invited the Board to meet with the

committee on April 20. The committee is studying public pension plans as the result of House Joint Resolution 44, a copy of which everyone has. The Executive Secretary said they asked for a brief presentation and submitted the areas they wished to be addressed. Mr. Burke asked if the Executive Secretary wanted some direction to attend. The Executive Secretary said that he would attend and that they are also asking that the Board be represented. Mr. Ryan said that he would attend if he did not have a conflict. Chairman Corbin said that he would also come over and Mr. Kearns and Mr. Meske indicated they would be interested in attending. The Executive Secretary said that he would provide copies to each Board member of the reports that would be discussed. Mr. Argenbright then advised the Chairman that he would have to leave to attend a Board of Public Education meeting and was excused. The Board then decided that those attending the meeting would meet at the Teachers' Retirement Building at 7:30 A.M. on Friday, April 20.

The next item of business was Ron Kenison and the Executive Secretary said that Mr. Kenison had asked to meet with the Board and that correspondence involving the item of appeal had been distributed to each member. Mr. Kenison was, however, unable to meet with the Board today because of a scheduling conflict. Chairman Corbin said that Mr. Kenison taught for about 13-14 years at Dillon and then moved to Butte Central for 3 years and then he went to Montana Tech for about 3½ years. He then left the education field but wants to purchase the Butte Central time on the basis of his 13 years of previous service. The Executive Secretary said that in view of the law and the Attorney General's opinion, he did not feel the Board had any discretionary authority in the matter. The Executive Secretary said that if Mr. Kenison wished to meet with the Board some time later, arrangements would be made to do so. Mr. Meske moved that the Board support the Executive Secretary's interpretation. Mr. Kearns seconded the motion and it passed unanimously.

Discussion of the upcoming Legislative session was next considered. The Executive Secretary said that he did not have any proposed legislation at this time, but there probably will be legislation from other member groups. Mr. Meske said that an item which was brought to him in the form of a letter was the purchase of leave on page 9 of the Handbook. Mr. Meske wondered why the 5 year membership requirement following the leave. The Executive Secretary said that this was a requirement on the purchase of out-of-state service, military service, and private school employment. The law also says the last 5 years must be in Montana and if you are not making contributions you are not considered a member during that time. A paid sabbatical leave is considered as membership service and the member is given service credit provided contributions are received on the sabbatical leave payment. Mr. Meske said the question probably arises from contracts with school districts whereby the teacher will go on sabbatical leave with the stipulation that they return to employment for two years and they can then retire. Mr. Burke said that he recalled when the leave provision went in that because of the many types of leave that the 5 year period was advisable and that it may be something we could look into in our long range planning which would make people aware that we are looking into it.

Mr. Meske commented on the fact that the MEA proposal would center around a 1/50 formula and retirement at half-pay after 25 years of service. Chairman Corbin said that he had a lot of teachers approach him about the 25 year retirement and the big thing is the cost factor. The Executive Secretary said he feels this is something the Board has to look at, and as to how much more can we increase the contribution rate to enhance benefits?

Chairman Corbin then asked Mr. Erickson if he had any comments on behalf of the retired teachers. Mr. Erickson said that they have not taken any official stand, and the increase in the employer contribution rate is a real concern of theirs. Another thing, is a cost-of-living adjustment. The problem is whether retirees in their late 40's are entitled to a cost-of-living increase and whether it should be limited to retirees of a certain age. He noted that the retirees receiving the least amount of money are those people from 75 years of age on up with an average benefit of less than \$300.00 per month. He felt that it would be well to look at older people to see whether we could raise the minimum benefit. Other things that could be looked at are some sort of health insurance beyond Medicare which would take care of a certain age group which are in more need of help. Mr. Erickson said he would hope that they could meet with the Board in July and that their state meeting would be in October. Mr. Burke asked Mr. Erickson if they looked into whether raising the minimum benefit would be cheaper than a cost-of-living adjustment. Mr. Erickson said that he is sure it would. Mr. Burke felt that the cost is something the Legislature looks at and a minimum benefit approach would be worth considering. Some other options were discussed concerning prescription service or paying part of the group insurance plans through employers. At this point in time Henry Jorgensen of the Retired Teachers Association entered the meeting. Chairman Corbin advised Mr. Erickson that the Board is interested in the welfare of our retired teachers and asked that he keep the Board informed. Chairman Corbin asked if there was anything further on legislation. The Executive Secretary said that he was wondering whether the Board had anything specific in mind? The comments of the Board were that although some minor things had been discussed in the past, they did not have anything specific in mind. Mr. Burke asked if the MEA situation would require legislation and the Executive Secretary said that nothing has developed on that case.

The next order of business was interest rates for 1984-85. The Executive Secretary said that the Board has the responsibility for setting the interest rates credited to member's accounts and the tax-shelter annuities. Currently the interest rate on regular contributions is 8% while the tax-sheltered annuity account is 9%. The Executive Secretary said that in lieu of the uncertainty of interest rates he would recommend that we retain the same rates. Mr. Burke moved that we leave the interest rate at 8% on regular member accounts and 9% on tax-sheltered annuities. Mr. Ryan seconded the motion. Chairman Corbin noted that IRA's in their credit union were paying around 10%, but the rate was fluctuating. The motion then passed unanimously.

The next item of business was the earning period for a retired member and the Executive Secretary went on to explain that a retired

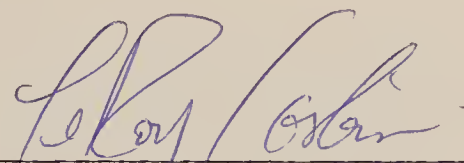
member can earn up to 1/3 of their average final compensation without jeopardizing their benefit. There is nothing in the law or board rules and regulations as to what time period this represents. In the past this has been administered on a school year basis but now we're getting so many people that are retiring in the middle of a school year, such as the end of a quarter or the end of a semester. The Executive Secretary said that he is looking for direction from the Board, and we would probably have to do this in the form of a rule or legislation. For example, if they quit at the end of a quarter, are they permitted to earn 1/3 of their average final compensation the following quarter or the remainder of the school year, or should they be required to wait until the next school year before they can earn the 1/3? Or, should this be in the 12 month period subsequent to their retirement? Chairman Corbin asked what was fair to the member? The Assistant Executive Secretary said she agreed with the Executive Secretary that the 12 month period following their retirement would be the fairest. Mr. Burke asked if this would not be difficult to administer and the Executive Secretary said that it would inasmuch as it would have to be calculated on an individual basis. Mr. Burke commented that it could raise havoc with a computer program. The Executive Secretary felt that we needed some guidelines. Chairman Corbin inquired as to what would happen if we leave it the way it is. The Executive Secretary said that there has been no problem unless it is challenged by someone. Mr. Ryan moved that the item be tabled and leave it as is now and conduct further study for the July meeting and then giving the Board the various examples or situations that could happen. The Board noted that no second was needed to table an item and were in agreement with Mr. Ryan's motion and the order of business went to Other New Business.

The Executive Secretary called the Board's attention to a letter received from Mr. F. Jay Lingo of Touche Ross and Co. in which he expressed an interest to meet with the Board to discuss their objective and goal setting study and to discuss ways in which they may be of assistance. Mr. Kearns said that at the NCPERS meeting, he and Mary met with Mr. Lingo and in their discussion felt that this was an area where they could be of some help. Mr. Burke said that in a type of project like this, you have to talk about money and maybe this is an area we could look at. Discussion then centered on whether this would be the proper time in the sequence of planning long range goals and objectives. Mr. Burke warned that you should be cautious in any dealings of this kind and after more deliberation it was decided that we call Mr. Lingo and try to arrange a meeting. Mr. Ryan also suggested that representatives from PERS and the Board of Investments be contacted and invited to attend the meeting. Chairman Corbin suggested that we set the next regular meeting at this time and then plan the goal setting session around that meeting. August 3, 1984 was set as the next regularly scheduled meeting at a time and place to be selected, with possibly a planning session the day before. The Assistant Administrator was then asked by the Board to call Mr. Lingo and arrange a separate meeting. In the phone conversation with Mr. Lingo it was decided that May 7 would be a convenient time for both Mr. Lingo and the Board. The meeting was set for 10:00 A.M. on May 7.

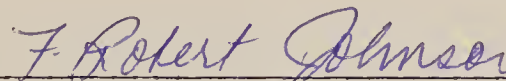
Old Business was then discussed with the legal report being the first item. The Executive Secretary said that nothing has happened in regard to the MEA lawsuit since the last special meeting. The only other case, the Sowell case, was decided by the District Court in favor of the first wife of Larry Sowell. A copy of the decision had been sent to each Board member. The case is currently being appealed to the Supreme Court.

Under further Old Business the Executive Secretary mentioned the decision the Board made on the Bowman case and that the decision was made on the supposition that an administrative rule would be adopted, but the Board was unable to agree on the rule. With the MEA case pending, the Board deferred any action.

Mr. Kearns then moved that the meeting be adjourned. Mr. Burke seconded the motion and it passed unanimously.



LeRoy Corbin
Chairman



F. Robert Johnson
Executive Secretary

Please find Retirement Listing on page number 155.

SPECIAL MEETINGTEACHERS' RETIREMENT BOARDMAY 7, 1984

A special meeting to meet with Mr. Jay Lingo of Touche Ross and Company was called to order by Chairman Corbin at 10:00 a.m. Those present were:

Chairman Le Roy Corbin
James E. Burke
J. William Kearns, Jr.
Kenneth M. Meske
J. Thomas Ryan
Mary L. Andridge
F. Robert Johnson

Also present were Larry Nachtsheim, Administrator of the Public Employees' Retirement System, and James Howeth, Investment Officer of the Board of Investments. Absent was Edward F. Argenbright.

Chairman Corbin noted that the Board, at their meeting of April 10, 1984, agreed to meet with Mr. Jay Lingo of Touche Ross and Company. Mr. Lingo had written the Board and had requested a meeting with the Board to describe the services his company could provide in developing long term goals and objectives. The meeting was then turned over to Mr. Lingo who gave a slide presentation to compliment his discussion. In his presentation, Mr. Lingo addressed the Commission statements and goals and objectives the Board had drafted at their first work session. Mr. Lingo explained that the Board's list could be categorized into 3 categories: benefit provisions, financing provisions and administrative functions. Mr Lingo then gave some examples and illustrations of objectives and goals that the Board might consider in the study. Mr. Lingo also stated that his firm was involved in a study of New Jersey's pension funds. His firm was engaged by the New Jersey State Pension Study Commission to study pension funds, health care and the investment structure. Mr. Kearns asked if a copy of the study could be obtained and Mr. Lingo said that he would have to seek permission from the Commission. Mr. Lingo then gave a brief discussion of Touche Ross and Company's services, qualifications and organizational structure as well as background of the project staff. The Board asked Mr. Lingo what the estimated cost would be should his firm be engaged to assist the Board in their study. Mr. Lingo said that the cost would be dependent upon the extent to which his company was involved with a range of 50 to 150 thousand dollars. Chairman Corbin thanked Mr. Lingo for his presentation and would take under consideration his comments. Mr. Lingo then thanked the Board for allowing his participation and left the meeting.

The Executive Secretary said that now would be a good chance for the Board to ask Mr. Howeth, of the Board of Investments any questions, as Mr. Howeth indicated he would not be available in the afternoon. The Board asked Mr. Howeth about his and the Board's position, on adding a member from each of the two large retirement systems to his Board. He replied that he would support it as long as the other funds they administer do not come in and ask for representation. He said that he was concerned about keeping the size of the Board of Investments at a reasonable number in order to maintain effectiveness.

Mr. Howeth also answered questions about the Board's position to allow more flexibility in investments in order to obtain a higher yield and still maintain a high quality portfolio. Mr. Howeth discussed the differences between the "Prudent Man Rule" and the "Prudent Expert Rule" and the apparent interest by the interim legislative committees' studying investments to make a possible change. There being no further discussion, the meeting was adjourned for lunch and Mr. Howeth and Mr. Nachtsheim left the meeting.

The meeting was reconvened at 1:40 p.m. and the Board asked the Executive Secretary if there was any money available for a study to the extent Mr. Lingo was talking about. The Executive Secretary said that there was no money available in the administrative budget.

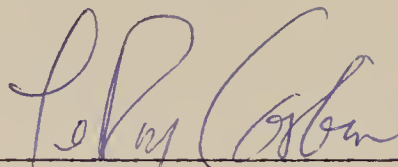
Mr. Kearns then moved that we earmark up to \$10,000.00 of the Minnie Fullam Fund for goal planning sessions, if permitted. Mr. Ryan seconded the motion. The motion carried unanimously.

The Board then discussed Mr. Lingo's suggestion that a subcommittee be named from the Board to pursue the goal planning study. Mr. Burke suggested that maybe subcommittees be appointed for certain categories but it was the contention of the Board that the study be done by the committee as a whole.


The next item of discussion was the direction the Board should take on the goal planning issue, and after considerable discussion it was decided that a Southwestern Regional forum be held in Butte on August 2. The forum would be open to the public and active and retired members of the System. The Board proposed that two sessions be held to afford everyone the opportunity to attend and the times of 2:00 p.m. and 7:00 p.m. were selected at a site to be named later. Chairman Corbin said he would try to get East Junior High School. In order to inform the members and public it was decided that press releases be used in all of the local newspapers of the areas and directed the Executive Secretary to draft a press release and forward to Chairman Corbin.

The next regularly scheduled meeting date was set for August 3, 1984, at Fairmont Hot Springs.

The special meeting was then adjourned.

A handwritten signature in blue ink, appearing to read "LeRoy Corbin", written over a horizontal line.

LeRoy Corbin
Chairman

A handwritten signature in blue ink, appearing to read "F. Robert Johnson", written over a horizontal line.

F. Robert Johnson
Executive Secretary

RETIREMENT APPLICATIONS - JANUARY, 1984

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Alterowitz, Harold S.	Eastern	39.48	\$2,050.78	66
Kauffman, Joseph	Flathead	24.00	344.15	55
(Retro to 07-01-83)				
Menges, Rosemary M.	Eastern	46.23	1,896.11	69
Mills, Ira K.	MSU	30.78	1,135.60	62
Preece, Sherman J., Jr.	U of M	32.09	1,570.99	61
Stickley, Elizabeth	Phillips	10.00	71.17	50
(Retro to 12-01-81)				
Thiesen, Norma K.	Rosebud	23.00	492.21	58
Vosburgh, Mercedes F.	Jefferson	22.62	388.20	63

RETIREMENT APPLICATIONS - FEBRUARY, 1984

Cooke, Gene S.	Cascade	27.56	1,131.69	50
Doll, Sam	Yellowstone	21.28	664.27	68
Estes, Betty J.	Granite	11.00	91.23	50
(Retro to 10-01-81)				
Keiser, Marjorie B.	MSU	16.33	787.78	59
(Retro to 01-01-84)				
Lloyd, Freida	Cascade	5.00	50.00	60
Sorlie, Irene D.	Yellowstone	42.56	1,881.64	69

SURVIVOR APPLICATIONS - FEBRUARY, 1984

Hebert, Shirley I.	Ravalli	11.35	314.83	37
(Survivor of Terry G.)				

RETIREMENT APPLICATIONS - MARCH, 1984

Adam, William L.	Yellowstone	31.53	1,298.21	53
Brown, James E.	Gallatin	23.00	521.70	50
Conitz, Evelyn E.	Hill	19.45	184.75	55
(Retro to 02-01-77)				
Jull, William E.	Yellowstone	32.78	1,288.14	56

SURVIVOR APPLICATIONS - MARCH, 1984

Coffey, Brigid	MSU	6.45	87.32	19
Coffey, Dennis			86.96	17
(Survivors of Elizabeth Coffey)				
Thorstenson, Loretta	Lincoln	17.56	645.82	49
(Survivors of Charles E. Thorstenson)				

APPROVED April 12, 1984, Board Meeting.

Please find minutes of April 12, 1984, Board Meeting pages 146-151.

August 3, 1984

EXECUTIVE SECRETARY'S REPORT

As of this writing, we have received 239 applications for retirement. This compares to 265 at this time a year ago and 123 two years ago. If two years experience is any indication, it appears that the 25 year retirement is influencing teachers to retire. The Billings, Missoula County High School, Kalispell and Bozeman schools were all offering retirement incentives this year.

The last three months were particularly busy due to the retirement applications and the number of people wanting to buy back their services, prior to June 30, 1984. You may recall that in 1980, the Board changed the interest rate from 5½% to 7% but declared that anyone beginning a payment plan before June 1980 would have the 5½% interest rate, if they paid the amount in full before June 30, 1984. The number of inquiries and personal checks we received were just about more than we could handle.

American Sheet Metal and Roofing of Helena was the successful bidder to replace the copper facia around the top of our building. The copper was damaged by the hail storm, 2 years ago. Their bid was under the other two bids by about \$2,000.00 and the insurance settlement of \$7,500.00 will cover the cost.

Mary and I travelled to Billings on May 2 and met individually with 30 teachers. Most of the teachers were considering retirement and we prepared estimates of benefits and explained the options available.

We have hired Denise Blankenship as our Secretary and she has been with us since June 4. Mrs. Blankenship has had several years of secretarial experience with the State of Montana and most recently was employed as a Secretary/Word Processor with the Office of Budget and Program Planning. Her experience and background in Word Processing systems will be of value. We have also decided to fill the Office Clerk I position, which has been vacant in order to realize some salary savings and Monica Miller was hired. Ms. Miller has been working with Northwest Bank and was facing loss of her job due to cutbacks.

The PEPPRA bill has been passed by the Education and Labor Committee of the House of Representatives and has now gone to the Rules Committee for markup for hearing on the floor of the House. A copy of Representative Pat Williams reply to our letter is attached. He seemed to ignore what we are doing in Montana and what the cost implications of the proposed bill would mean to the System. Assuming the bill passes the House, it may encounter difficulty in the Senate as there is no companion bill there. Our national organization, the NCTR has prepared a report on 30 of the larger state systems as to what is currently taking place in hopes of thwarting the legislation. We have been asked to distribute the reports to our Representatives and Senators and I will do so when they are received, as well as with an accompanying letter. Morris Brusett's office has received letters from Marlene and Melcher, in which they have indicated that they would oppose the legislation. We have not heard of Senator Baucus's position at this time.

TEACHERS' RETIREMENT SYSTEM BOARD MEETING

August 3, 1984

Chairman Corbin called the meeting to order at 9:00 a.m. at Fairmont Hot Springs. Those in attendance were:

Chairman LeRoy Corbin
Edward F. Argenbright
James E. Burke
J. William Kearns, Jr.
Kenneth M. Meske
J. Thomas Ryan
Mary Andridge
F. Robert Johnson

The Board minutes of the meeting of April 12, 1984, were approved on a motion by Mr. Burke. Mr. Argenbright seconded the motion which carried unanimously.

The next order of business was the financial statements, budget report and investment report. Mr. Kearns questioned the accounts receivable amount and was advised by the Executive Secretary that it represents contributions due by employers for the month of June. Mr. Kearns then questioned the 5 million dollars in cash and the Executive Secretary said that probably there were some maturing investments and transactions reinvesting this money had probably not cleared through the Statewide Budget and Accounting System. The Assistant Executive Secretary pointed out that we also need about 2 million dollars to handle our monthly retired payroll. Mr. Burke then moved that the financial statements, budget report, and investment report be approved. Mr. Kearns seconded the motion and it passed unanimously.

The Executive Secretary's Report was next considered and the report was reviewed by the Executive Secretary. The Executive Secretary said that we will probably be losing our renters, as they need more space for their operation. They had asked if there was any possibility of building an addition to the building. Mr. Burke asked if we could use more space and the Assistant Executive Secretary said that we probably would in the future. Mr. Burke suggested that in any remodeling plans, that the board room be considered as a means to expand if it is not being used on a continuing basis. In discussing PEPPRA it was the consensus of the Board that we write Representative Williams and ask that he meet with the Board, as we are still in disagreement with his stand. The Executive Secretary then added that the Legislative Auditor was auditing our records for the past two years and one problem mentioned was a reconciling feature between SBAS and our sub-system or membership accounting system. He said that he arranged a meeting to discuss the problem as our staff felt they were reconciling the two.

Moving to New Business, the first item was to reorganize the Board. Mr. Burke moved that Mr. Kearns be nominated and Mr. Kearns declined the nomination, because of pressing business which would prevent him from devoting the time, particularly during a legislative year. Mr. Kearns then nominated Mr. Ryan as Chairman. The nomination was seconded by Mr. Meske. The vote was unanimous for Mr. Ryan. Mr. Ryan said that he was accepting because, being located in Helena, he could keep in close contact with the Executive Secretary. Mr. Burke then nominated Mr. Kearns as Vice-Chairman and Mr. Ryan seconded the nomination. The Board voted unanimously for Mr. Kearns as Vice Chairman. Mr. Ryan then assumed the role of Chairman.

The next item of business was that of Virginia Oursland, who was seeking credit for substitute teaching service. The Executive Secretary stated that we allow our members to purchase substitute teaching time upon the proper verification by the employer as to the number of days taught and the total compensation received. If the member sends in the employer contribution, they receive credit on the basis of full time days taught divided by 180. Mrs. Oursland substituted at School District 29, Flathead County, but due to poor record keeping by the Clerk, there were no school records to verify the service. Mrs. Oursland had submitted a detailed listing of her personal record for consideration. The Executive Secretary said that we require verification by the employer and do not normally accept the member's records. Mr. Meske suggested that the only way would be to get a character reference letter and Mr. Argenbright said that it should be from someone in authority at the time of Mrs. Oursland's employment. After some further discussion, Mr. Burke moved that we ask for verification from someone in an administrative capacity, who could verify Mrs. Oursland's employment as a substitute teacher. Mr. Kearns seconded the motion. The motion passed unanimously.

The next item of business was the lease agreement with the Architecture and Engineering Division of the Department of Administration. The lease calls for a rental fee of \$16,688.04 for approximately 2,285 square feet, at a cost of \$7.30 per square foot. The Executive Secretary said that in accordance with a prior agreement, the lease is for the same amount as last year. Mr. Kearns said that he would like to know whether this is a good competitive return and Mr. Burke said that it was a fair price from rental rates he knows around the state. Mr. Burke then moved that we approve the lease. Mr. Kearns seconded the motion. The motion passed unanimously.

Proposed legislation was next considered. The Executive Secretary said that there were two pieces of proposed legislation. The first had to do with changing the language in the second of three options, which has to do with the inclusion of termination pay in the calculation of average final compensation (copy attached). The Executive Secretary explained that the present law provides a loop hole for increasing a member's monthly benefit at a cost to the System. He cited an example of an individual who took a Superintendent's job in another school

district for two years and then returned with a sizeable amount of termination pay. The end result was that he received a retirement benefit on the basis of Option I's calculation, but at the cost of Option II. The suggested change would require that the termination pay be divided by not less than 3 years of creditable service. Another alternative would be to delete the option from the law. The Executive Secretary gave some figures as to the number of retirees' and the termination pay option selected and after some discussion to the effect that we have a responsibility to correct any practices which are not properly funded, Mr. Meske proposed a motion that we accept the legislation as outlined by the Executive Secretary. The motion was seconded by Mr. Corbin. The motion passed unanimously. The Executive Secretary said that the legislation would be submitted to our attorney for the actual drafting.

The second item of legislation was to provide some kind of death benefit to the designated beneficiary of an active member who dies with less than 5 years of service (copy attached). The Executive Secretary explained that currently, if an active member dies with less than 5 years of service, the only benefit payable is a return of the member's contributions and interest. The tragedy of the Whitefish school bus accident prompted the Board to ask whether something could be done in this respect and what the cost would be. Mr. Hendrickson had prepared costs for various amounts and these had been attached to the proposed legislation. The Executive Secretary pointed out that it would result in an increase in the contribution rate. Considerable discussion ensued as to the fact that many employers provide this type of insurance and there is also a responsibility by the individual to provide for his family. Therefore, we should probably study the problem and determine whether there is a need for this type of benefit. The Board then directed the Executive Secretary to conduct a survey of employing school districts as to what is being provided in way of life insurance. The Executive Secretary said that any proposed legislation had to be submitted to the Governor's Office in September, and if such a bill was to be proposed, action would now have to be taken. Mr. Burke suggested that we table the issue for further study. Mr. Meske then moved that we conduct a survey which would then give us a direction. Mr. Burke seconded the motion. The motion passed unanimously.

The last item of New Business was the selection of delegates to the NCTR Annual Meeting, September 30, through October 5, in Los Angeles. The Executive Secretary said that in accordance with the rotation schedule, Mr. Corbin would be scheduled to go and he would recommend that the Executive Secretary also attend. A schedule of future conferences and the board member scheduled to attend was then passed to each board member. Mr. Kearns moved that Mr. Corbin and the Executive Secretary attend the 1984 NCTR Annual Meeting, September 30 to October 5. Mr. Argenbright seconded the motion and it passed unanimously.

Chairman Ryan noted that Old Business was next under consideration and asked the Executive Secretary for comments on the legal report. The Executive Secretary said the Sowell case had not yet been heard by the Supreme Court and that nothing new had developed on the MEA suit concerning creditable service for strike time.

The earnings period for retired members was then addressed and Chairman Ryan asked the Executive Secretary for his comments. The Executive Secretary said that this was discussed at the last meeting and the Board had requested some examples of retirement situations. The Executive Secretary said the problem is defining the earnings period, and the examples given provide the different circumstances that can arise. The Executive Secretary said that if they exceed 1/3 of their average final compensation, their benefit ceases until they have terminated their employment. Mr. Burke felt that the most reasonable period of time would be the 12 months subsequent to their retirement. The Executive Secretary said this could cause some administrative problems if a large number of retirees are eventually employed, but the problem could be addressed at that time. After further discussion of the retirement incentive programs and when individuals can retire, Mr. Burke moved that the earnings period for retired members be considered the 12 months following the members retirement. Mr. Kearns seconded the motion. The motion passed unanimously.

Chairman Ryan said that the next item of business was discussion of the public meetings of August 2, and future goal planning sessions. Mr. Burke said that those present at the public meeting did not have too much to say, except concerning the possibility of obtaining more money for retired members and that one member's suggestion to index retirement benefits on the basis of salaries paid active members was not financially sound because as salaries increase so do the liabilities to the retirement system. Mr. Kearns felt that some comments were that we should announce our board meetings, also, the pre-retirement counseling idea was one that got some support. He added that the idea of a Teachers' Retirement home did not receive a lot of support. Mr. Corbin said they seemed to be afraid of the financial difficulties experienced in California. Mr. Kearns felt that the meeting was good in terms of public relations. Mr. Corbin said that possibly we can purchase an ad in the newspaper to publicize the next meeting, rather than rely strictly on the newspaper to provide the coverage. Mr. Meske inquired into the impact on the budget of having out-of-town meetings. The Executive Secretary said that we budget to have our meetings in Helena and meeting outside of Helena will over expend the budget. Discussion followed as to having more meetings out-of-town and where the meetings should be held. Chairman Ryan thought there would be greater participation if the meetings were held during the school year. Mr. Argenbright added that he enjoyed the meetings, particularly with the retired members, since this was a group he normally does not have contact with. The Executive Secretary added that we have traditionally held a legislative meeting prior to each legislative session and wondered whether the Board wished to have such a meeting in view of the planning public meetings. Mr. Corbin said that

we could have a regular meeting in the morning and a legislative meeting in the afternoon. Mr. Corbin then made a motion that we use the Minnie Fullam Fund to establish a continuation of district meetings on suggested goals for the System and that we have meetings in Great Falls, Missoula, and Billings within the next year. The Minnie Fullam Fund would be used to finance such meetings. Mr. Kearns seconded the motion. The motion carried unanimously. Discussion then centered on having the meetings in conjunction with the regular board meeting in order to save money and avoid too much time from the board members regular work. Mr. Corbin suggested that the next meeting date be set and after a review of the available dates, it was decided that a public meeting be held in Great Falls, October 25, at 7:00 p.m., with the board meeting at 9:00 a.m., October 26, to be followed by a legislative meeting at 2:00 p.m. Travel one-way and the one nights lodging and per diem were to be charged to the Minnie Fullam Fund and Friday's business to the administrative budget.

Chairman Ryan then asked if there was any other old business and the Executive Secretary said that the National Pre-Retirement Education Association was having their annual program for public retirement systems and it was to be held in September at Harrisburg, Pennsylvania. The Executive Secretary said that he would like the Board to give consideration to sending himself or the Assistant Executive Secretary if funds were available. This would fit into our goal planning process in regards to pre-retirement counseling. Mr. Kearns moved that if the funds are available, that we attend the session. Mr. Corbin seconded the motion and it passed unanimously.

Regular retirement and survivor applications were next considered. The Board reviewed the list of retirees and Mr. Burke moved that we approve the regular retirement and survivors applications. Mr. Kearns seconded the motion and it passed unanimously.

Disability applications were the next order of business. The first application was that of Ernest D. Bozarth, who was suffering from cirrhosis of the liver. Mr. Burke moved that the application be approved. Mr. Kearns seconded the motion and it passed unanimously.

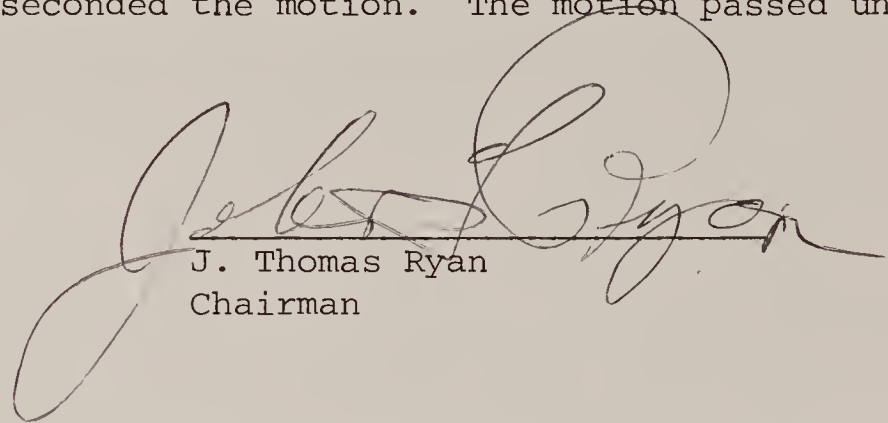
Donald Glynn suffering from Narcoplexy and Catoplexy was next reviewed. Mr. Kearns moved for acceptance of the application. Mr. Meske seconded the motion and it passed unanimously.

The application for Henry Clay Little, who suffers from Connective Tissue Disease was next reviewed. After some discussion regarding the severity of the illness, Mr. Kearns noted that the doctor declared the patient to be totally disabled. Mr. Meske moved that the application be approved. Mr. Corbin seconded the motion. The application was approved unanimously.


Wayne G. Peterson, who was diagnosed as having multiple sclerosis was next reviewed. Mr. Burke noted that two physicians, attested to the disability and moved that the application be approved. Mr. Corbin seconded the motion. The motion passed unanimously.

The application of Lloyd Wilson suffering from arthritis of the spine, shoulder and arms was next reviewed. Mr. Meske moved that the disability be approved. Mr. Kearns seconded the motion and it passed unanimously.

There being no further business, Mr. Kearns moved that the meeting be adjourned. Mr. Corbin seconded the motion. The motion passed unanimously.



J. Thomas Ryan
Chairman



F. Robert Johnson
Executive Secretary

RETIREMENT APPLICATIONS - APRIL, 1984

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Alford, Glenda L. (Retro to 12-01-82)	Toole	7.22	\$ 37.54	50
Bruce, Evelyn (Retro to 03-01-83)	Pondera	5.00	26.00	50
Cumming, John R. (Retro to 08-01-78)	Western	14.03	116.85	55
Old Coyote, Elinora	MSU	39.58	1,870.69	62
Thompson, James A. (Retro to 07-01-83)	Blaine	22.00	557.52	52

RETIREMENT APPLICATIONS - MAY, 1984

Johnson, Mavis, M.	Park	18.00	180.00	60
Sorley, Margaret J.	McCone	16.57	228.48	60

SURVIVOR APPLICATIONS - MAY, 1984

Eva, Carol Ann (Survivor of Robert W. Eva)	Silver Bow	16.87	690.39	41
---	------------	-------	--------	----

RETIREMENT APPLICATIONS - JUNE, 1984

Barry, Vincent D. (Retro to 04-01-84)	Blaine	25.01	1,325.97	48
Hughes, Bernard	Ravalli	21.19	197.90	60

SURVIVOR APPLICATIONS - JUNE, 1984

Jones, Patricia D. (Survivor of Walter Jones)	Yellowstone	19.00	885.60	49
Koseniinsky, Jan (Survivor of George Koseniinsky Retro to 02-01-84)	Lewis & Clark	5.44	120.58	34
Pease, Marilyn W. (Survivor of Burton Pease Retro to 04-01-84)	Ravalli	5.72	105.14	37

RETIREMENT APPLICATIONS - JULY, 1984

Allred, Keith L.	Flathead	30.00	1,868.85	50
Anderson, Alice M.	Lincoln	41.78	964.96	70
Anderson, F. Raymond	Dawson	37.25	1,190.29	63
Anderson, Harriet	MSU	36.33	1,911.80	63
Anderson, Walter E.	Ravalli	34.00	1,231.07	55

RETIREMENT APPLICATIONS - JULY, 1984 (CONTINUED)

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Andrew, David H.	Missoula	33.32	\$1,228.90	56
Annala, Andrew A.	Lewis & Clark	33.00	1,592.73	56
Aspholm, Robert A.	Deer Lodge	36.61	1,287.27	62
Autio, Arne R.	Missoula	29.67	1,316.32	58
Baldwin, K. Robert	Gallatin	30.00	1,261.28	52
Balich, Nola R.	Yellowstone	30.00	999.70	50
Barnett, Joe W.	Gallatin	30.25	1,149.91	55
Bashor, John W.	Gallatin	29.92	1,285.89	58
Belden, Roberta C.	Fergus	28.94	673.35	54
Berg, Edna B.	Gallatin	23.00	848.96	69
Berg, Lloyd	MSU	38.00	2,155.09	70
Berntson, Thelma A.	Dawson	43.00	1,762.78	67
Blackketter, Dennis O.	MSU	25.44	1,870.54	51
Boetticher, Verla R.	Beaverhead	21.00	761.97	65
Bond, Ronald G.	Flathead	26.00	1,071.99	48
Bowlen, Barbara	Cascade	19.00	573.61	60
Bowman, Delores H.	Cascade	21.00	657.79	60
Buchanan, Opal A.	Valley	38.23	1,016.87	66
Buchanan, V. Grace	Ravalli	30.00	1,057.20	57
Buehler, Richard	Richland	37.83	1,473.93	59
Byers, Marilyn C.	Lincoln	30.62	637.90	54
Carkulis, Tom	Yellowstone	35.33	1,485.59	61
Casey, Robert M.	Missoula	37.83	1,710.34	60
Caughlan, Georgeanne R.	MSU	29.22	1,774.80	68
Chapman, Richard D.	Flathead	37.01	1,140.19	63
Cheek, John B.	Deer Lodge	39.67	1,151.24	62
Christiana, Roymane	Valley	33.00	1,211.57	63
Clawson, Twila E.	Hill	23.46	589.53	58
Cleveland, Donald D.	Yellowstone	26.75	979.17	52
Collins, Clint N.	Gallatin	25.50	1,118.35	52
Collins, Frank W.	Missoula	34.75	1,076.95	70
Cork, Minnie G.	Missoula	29.67	999.34	59
Coulston, Marjorie L.	Yellowstone	18.00	588.92	62
Crain, Mary Jane	Roosevelt	42.33	1,172.72	65
Criswell, Mary A.	Fergus	34.72	1,161.09	64
Crosbie, Keith D.	V.R.	6.55	101.79	60
(Retro to 01-01-84)				
Crumbacher, Howard R.	Yellowstone	30.00	1,543.90	58
Crutsinger, Lenore J.	Mslshell.	31.00	734.94	51
Cruz, Frank J.	Gallatin	30.83	1,097.86	53
Dassonville, Patricia	Valley	39.00	1,098.25	62
Decker, Minerva L.	Valley	15.00	497.39	67
Delaney, Lois	Lake	16.67	274.84	51
Denby, Clara	Treasure	24.10	671.06	62

RETIREMENT APPLICATIONS - JULY, 1984 (CONTINUED)

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Dierman, Margie M.	Lincoln	26.44	\$ 734.15	62
Dieterich, Glen C.	Fergus	30.00	1,236.69	52
Diteman, Irene J.	Yellowstone	30.44	1,006.14	65
Donaldson, Harry	Lincoln	34.67	948.38	63
Donovan, John P.	Cascade	34.42	1,739.16	61
Drummond, David H.	MSU	38.75	1,748.08	61
Dullenty, Sheila	Choteau	25.00	727.04	66
Duncan, Ronald R.	Yellowstone	27.44	824.09	50
Dunne, John K.	Flathead	35.08	939.35	59
Dynes, Robert	MSU	37.67	1,395.27	62
Edie, Milton J.	MSU	34.92	1,697.89	62
Ellman, Margaret K.	Flathead	32.45	966.18	60
Engleking, Don L.	Yellowstone	17.25	498.40	62
Estes, Franklin L.	Deer Lodge	34.00	942.85	57
Everly, Ellen Hill	Silver Bow	27.53	992.70	69
Fenton, Mary Alice	Treasure	26.17	716.49	50
Fink, Virginia	Roosevelt	29.00	923.36	49
Garrison, Miles T.	Lincoln	25.42	1,154.94	50
Gee, Robert F.	Yellowstone	33.67	1,247.55	65
Graham, Susan L.	Cascade	25.00	967.99	53
Gravage, Patrick J.	Park	29.92	1,380.93	54
Halverson, Earl J.	Yellowstone	33.25	1,666.09	57
Halverson, Ralph E.	Cascade	42.97	1,739.62	65
Hambly, Susan S.	Lake	20.00	552.50	68
Hartwig, Mary L.	Missoula	19.61	537.33	64
Hawkins, Paul A.	Deer Lodge	20.33	670.57	62
Hecimovich, Anthony	Flathead	33.42	936.02	57
Hemsing, Mary Ellen	Cascade	23.00	657.56	58
Hendrickson, Russell	Valley	27.44	1,071.21	51
Henningsen, Fred A.	U of M	34.66	1,531.05	64
Herbig, Harold H.	Missoula	31.93	1,740.24	60
Herndon, Charles L.	MT Tech	29.00	1,411.37	63
Heatherington, Nina	L & C	39.00	1,128.84	62
Holdbrook, Mary F.	Carbon	29.11	834.68	54
Holen, Eugene O.	Yellowstone	25.75	1,002.55	52
Horab, Edward F.	Hill	25.00	745.98	48
Hugill, Germaine	Lincoln	24.17	712.22	57
Hull, Frank E.	Beaverhead	27.91	988.06	52
Irons, James W.	Fergus	30.56	1,056.65	54
Ivankovich, Eleanor	Deer Lodge	39.58	1,365.95	62
Jackson, James R.	Yellowstone	30.00	1,025.04	56
Jacobson, Allen A.	Flathead	30.00	1,166.39	49
Jacobson, Norman N.	Missoula	31.49	1,258.75	53
Johanson, Alvina M.	V.R.	19.00	503.10	59

RETIREMENT APPLICATIONS - JULY, 1984 (CONTINUED)

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Johnson, John H.	Dawson	37.67	\$1,958.49	62
Johnson, Loren R.	Missoula	36.60	1,431.62	60
Johnson, Marie	Cascade	17.00	346.97	57
Johnson, Max M.	Lake	29.00	1,177.13	49
Johnson, Walter G. Jr.	Granite	33.98	1,021.65	60
Kaufman, Robert R.	Gallatin	28.67	1,150.66	59
Keith, Frances V.	Cascade	18.00	378.13	55
Kelly, Martha E.	Dawson	28.60	838.79	54
(Retro to 07-01-83)				
Kemmesat, LeRoy P.	Powell	35.08	1,248.61	57
Ketterling, Muriel	Flathead	34.00	1,027.46	62
Kimmel, Maxine C.	Lake	25.89	735.41	50
King, John R. Jr.	Glacier	35.33	1,110.60	63
King, Thelma S.	Glacier	31.56	1,037.92	64
Koeppen, Don	Missoula	20.25	935.71	62
Kosich, John	Yellowstone	36.16	1,657.30	61
Krein, Olive E.	Lake	32.56	862.88	61
Larsen, Isabel L.	Flathead	29.56	817.83	52
Lawrence, Donald	Flathead	27.75	919.97	54
Lawry, John F.	U of M	31.50	1,089.99	62
Lee, Richard C.	Yellowstone	27.00	1,198.66	50
Lindgren, Eileen	Valley	10.00	236.51	65
Mack, Eugene A.	Meagher	26.00	1,039.58	49
Madison, Harold A.	Yellowstone	25.89	704.53	68
Marcotte, Kenneth	MSU	25.19	1,078.31	52
Mares, Marie	Cascade	16.89	527.09	65
Mathieu, E. Anna	Richland	29.44	641.22	63
Mattix, Edward R.	Cascade	35.05	1,820.71	57
Mattix, Patricia P.	Cascade	25.44	753.95	54
Mauritsen, May C.	Flathead	15.11	361.25	65
McKethen, Joe	Gallatin	23.00	1,004.32	57
McMillion, Mildred	Park	37.67	1,437.79	62
McMullin, Winifred	Dawson	30.44	989.99	61
Michael, Robert	Phillips	28.25	1,237.50	50
Milligan, William C.	Silver Bow	27.92	1,941.06	58
Minjares, Betty L.	Flathead	17.50	564.21	60
Moir, William E.	Flathead	31.56	930.85	54
Moorhead, Donald O.	Gallatin	28.00	1,004.48	52
Mular, William	Beaverhead	27.91	909.18	52
Mulhollam, William	Flathead	27.67	1,106.93	51
Muller, June E.	Lake	23.00	684.99	63
Nauck, John R.	Teton	38.00	1,088.04	61
Nelson, Nels M.	MSU	32.67	1,495.44	65
Nelson, Richard	Flathead	35.00	1,551.00	59

RETIREMENT APPLICATIONS - JULY, 1984 (CONTINUED)

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Nesmith, Paul	Yellowstone	25.00	\$ 913.69	56
Newlon, Robert E.	Beaverhead	15.00	538.85	62
Ortisi, Domenico	U of M	33.00	1,403.29	63
Otten, Alice A. S.	L & C	38.08	1,321.35	66
Oursland, David	Flathead	28.00	1,210.90	50
Oursland, Laurence	Flathead	36.00	1,475.80	59
Over, John M.	Custer	37.50	1,313.71	66
Pace, Mary	MSU	25.00	838.85	47
Parobeck, Bessie H.	Yellowstone	41.00	1,326.40	62
Paugh, Minnie E.	MSU	42.11	1,698.25	65
Paulson, Elmer	Big Horn	33.22	1,053.98	57
Paus, Royal L.	Pondera	26.25	924.04	56
Payne, Charles H.	MSU	30.00	1,196.54	61
Pederson, Delores	Roosevelt	29.00	924.38	49
Pederson, Wilfred	Yellowstone	15.00	330.66	66
Person, Margaret	Flathead	22.89	650.36	67
Pfeiffer, E. W.	U of M	33.25	1,228.03	69
Pengelly, W. Leslie	U of M	36.67	2,253.21	66
Pihlaja, Margaret	Flathead	29.00	721.50	53
Pozder, John A.	Granite	34.58	828.82	60
Prescott, LuVerna	Dawson	18.00	402.74	55
Prescott, Robert	Dawson	32.75	1,129.78	57
Purvis, Elizabeth	L & C	26.44	862.01	62
Raffety, Florence	Missoula	28.00	1,294.37	64
Ramos, Manuel	Cascade	34.67	1,195.47	61
Rusoff, Lester	Missoula	35.56	2,184.60	66
Reuter, Ardeline	Roosevelt	33.22	771.01	56
Reuter, Muriel	Roosevelt	36.16	1,007.54	65
Reynolds, Kenneth	Yellowstone	30.00	1,192.22	53
Ridenour, Alice	MSU	43.89	2,093.22	66
Rivers, Luke	MT Tech	19.50	454.98	55
Robbins, Edward Jr.	Yellowstone	21.83	757.32	62
Rohret, Ellen	Silver Bow	13.00	298.92	58
Rominger, John R.	Hill	29.00	925.57	60
Rose, John M.	Teton	27.00	824.61	55
Ruiz, Louis	Flathead	30.00	1,359.16	53
Rummel, Glendon	Sanders	25.00	744.06	51
Saltee, Robert	Yellowstone	33.50	1,364.87	57
Scanlan, Jack A.	MSU	28.00	1,497.92	67
Schaffer, Mary C.	Powder River	28.00	877.81	55
Schenck, Aaron	Missoula	34.76	1,145.15	61
Schlatter, Richard	Flathead	30.25	1,430.88	53
Schmidt, Arnold	Garfield	11.00	152.26	65
Schuschke, Lawrence	Hill	32.08	1,026.13	59

RETIREMENT APPLICATIONS - JULY, 1984 (CONTINUED)

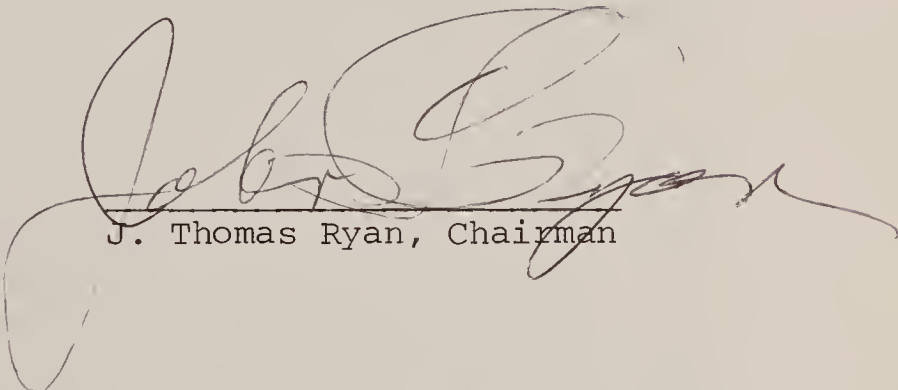
	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Scott, George L.	Missoula	34.42	\$1,496.75	57
Seljak, Harland	U of M	40.50	1,640.73	62
Semple, William S.	MSU	22.64	750.85	62
Shull, Ruth A.	Sanders	24.00	538.63	67
Shyne, N. A.	MSU	30.00	1,534.53	55
Simons, Alice N.	Fergus	30.33	961.32	62
Sloan, James G.	Flathead	28.00	862.98	52
Slocum, Harold	L & C	27.00	1,111.18	54
Small, Chris C.	Gallatin	31.75	1,198.26	56
Solberg, Ingrid K.	Dawson	47.22	973.10	70
Stehno, John A.	Cascade	32.00	1,225.24	55
Stephens, Gladys S.	Sweet Grass	34.45	1,054.76	64
Sternberg, Alfred E.	L & C	11.88	319.39	65
Storli, Winnifred	V. R.	15.75	268.59	54
(Retro to 07-01-83)				
Stout, Koehler	MT Tech	35.67	2,102.44	61
Sundet, Vesta G.	Cascade	41.00	1,005.07	63
Swanser, Dora E.	Mslshell.	23.78	562.53	66
Swartz, William J.	MSU	39.52	1,696.09	64
Sypert, Clarence W.	V. R.	9.34	94.73	61
Taylor, Cleo J.	Cascade	24.00	690.58	65
Thompson, Lucille	Gallatin	25.00	1,030.67	65
Thornley, Doraleen	Glacier	29.78	1,014.77	56
Thornton, Dean	Park	26.31	873.40	57
Thorson, Jean L.	Gallatin	28.00	1,125.15	61
Tone, Dorothy	Phillips	16.00	432.12	67
Turner, Edith	Hill	31.44	993.96	66
Tyvand, Raymond	Beaverhead	22.92	838.07	61
Uhlrich, Paul E.	MSU	39.36	2,319.75	62
Vagg, Douglas V.	Missoula	42.25	1,079.80	66
Vanderbeck, Eugene	Yellowstone	24.67	617.78	56
VanWinkle, Tuanette	Yellowstone	15.00	313.26	57
Wahl, A. Calvin	Carbon	25.42	1,169.69	49
Waldum, Ellen	Park	21.00	600.78	61
Wallgren, Ivan	Powell	36.58	1,348.44	60
Webster, Jack A.	Ravalli	30.00	1,317.48	50
Welch, Genevieve	Lake	30.98	1,061.27	53
Wenaas, Harold L.	Cascade	30.00	2,198.05	55
Whalen, John J.	Missoula	31.83	1,240.48	56
Whitesitt, J. Eldon	MSU	38.00	1,755.11	62
Wilcox, Alice E.	Fergus	27.00	1,058.65	62
Williams, Emma	Yellowstone	35.34	1,031.14	65
Wilkowski, Helen	Valley	9.50	247.16	64

RETIREMENT APPLICATIONS - JULY, 1984 (CONTINUED)

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Wolpert, Joseph	Deer Lodge	35.83	\$1,427.61	59
Wright, Beth B.	Missoula	23.33	918.09	64
Zink, Adele B.	Yellowstone	30.56	917.98	58
Zuidmeer, Bernita	Missoula	27.93	883.99	61

SURVIVOR APPLICATIONS - JULY, 1984

Berg, Sonja L. (Survivor of Russell L. Berg Retro to 06-01-84)	V. R.	9.04	130.16	44
McGlynn, Mary A. (Survivor of Terrance D. McGlynn Retro to 05-01-84)	MT Tech	29.72	1,014.87	52



J. Thomas Ryan, Chairman



F. Robert Johnson
Executive Secretary

170

EXECUTIVE SECRETARY'S REPORT

OCTOBER 26, 1984

The everyday business of the System is now back to normal after year end retirements and buy-back of service deadlines have passed. Also, the Legislative Auditor takes up quite a bit of staff time and everyone was relieved to see them complete their audit. The report was not as good as we would have liked to see it.

We have been studying various configuration possibilities for a word processor, which the 1983 Legislature authorized us to purchase in FY 85. The State of Montana recently entered into contracts for word processing equipment with two companies and they provided each state agency with the configurations available, as well as the cost information. This will eliminate going through the bid process and trying to analyze all of the word processing equipment available on the market today. In looking at our communication and compatibility requirements, we selected the IBM Displaywriter and in accordance with the configuration selected, we will be able to purchase a system at a cost less than what was approved by the 83 Legislature. The equipment will not only meet our needs for word processing, but we will be able to talk to the state computer and print financial statements on our printer and capture other information that is available on the communication network. The big factor will be improved services to our members as far as turnaround time and printing quality.

On September 26, I traveled to Big Timber and spoke to 30 teachers. On October 15, I went to Billings to attend the MEA Convention and gave two presentations. Mary traveled to Kalispell to give a presentation to the Montana Federation of Teachers' on October 19.

Since our last meeting on August 3, 1984, Jim Ferron our accountant was advised that he had passed the final part of the CPA Examination. The Legislative Audit we just went through was a new experience for Jim, in that it was conducted a lot different than audits he had experienced in the private sector.

We were advised by the Budget Office that we would not be required to submit a budget to the Legislature for the 1985-1987 biennium. Due to the Treasury Fund restructuring, they made the determination that the Board is the responsible authority for establishing a budget. We understand that the Legislative Fiscal Analyst did not necessarily agree with this interpretation, therefore, we were told to have a budget ready and it is an item on today's agenda. It will be interesting to see what happens.

TEACHERS' RETIREMENT BOARD MEETINGOctober 26, 1984

Chairman, J. Thomas Ryan, called the meeting to order at 9:00 a.m., in the Gold Silver Room of the Rainbow Hotel. Those present were:

Chairman Ryan
Edward F. Argenbright
James E. Burke
LeRoy Corbin
J. William Kearns
Kenneth M. Meske
Mary L. Andridge
F. Robert Johnson

It was noted that also attending were Opal Holm, President of the Montana Retired Teachers' Association and Wilbur Swenson Legislative Chairman of the Montana Retired Teachers' Association.

The minutes of the special meeting held May 7, 1984, and the regular meeting of August 3, 1984, were approved on a motion by Mr. Burke. The motion was seconded by Mr. Kearns and passed unanimously.

Financial statements, budget report and investment report were next considered. Mr. Burke mentioned that we should include additional help in the budget because they don't realize that when you lose people, the work doesn't get done. Discussion then followed on the investment purchases and the various types of investments purchased since the last meeting. The Assistant Executive Secretary gave a detailed report on the mortgage delinquencies and Mr. Corbin commented on the fact that this is the first time in a long time that no delinquent loans appeared in the 4, 5, 6 or 7 month columns. Chairman Ryan then asked for anymore comments and there being none called for a motion to accept the reports. Mr. Kearns so moved and his motion was seconded by Mr. Burke. The motion passed unanimously.

Chairman Ryan noted the next item of business was the Executive Secretary's report and asked for any comments by the Executive Secretary. The Executive Secretary said the word processor recently ordered should improve the communications area by providing faster service to our membership and modernizing what we are doing with the mag card machine. Mr. Argenbright noted that his office has a centralized word processing unit, which has been a significant change and offered his office as a means to familiarize TRS personnel with the capacity of the equipment. The Assistant Executive

Secretary said that the machine was purchased primarily for our word processing needs, but we can attach a PC into the same unit for computer capabilities. It can also be used as a backup terminal for our on-line applications of our new computer system. The Executive Secretary said that he had a good turnout at the MEA Convention with over 128 attending the morning session and about 45 in the afternoon session.

The Assistant Executive Secretary said she had 45-50 people at her session so we talked to over 200 members during the two day convention. The Executive Secretary said that our accountant Jim Ferron had passed the CPA examination and commented on the fact that Mr. Ferron was selected because of his experience in preparing financial statements but being in the position only a few months prior to the audit, it did not show in the recent audit but if we are fortunate in keeping him, there will be a definite improvement next time and possibly we could get the position upgraded. The Assistant Executive Secretary said that the position is graded just one grade above an accounting technician and it is difficult to even recruit, let alone keep a qualified person in that position very long. Discussion ensued as to who has the authority to establish grades and what we could do about upgrading the position. The consensus of the Board was that the Executive Secretary should ask for a review of the accountant's position. The Executive Secretary went on to say that we were advised by the Budget Office through the Department of Administration that we did not have to submit a budget for the 1985-1987 biennium but were told to have a budget ready just in case, which, therefore, explains the budget item on the agenda today. Chairman Ryan then asked about the possibility of getting someone from the Personnel Division in to talk to the Board at their next meeting on the personnel process and Mr. Argenbright suggested that it be Dennis Taylor if possible. Mr. Kearns then moved that we request that Dennis Taylor talk to the Board at this next meeting. Mr. Corbin seconded the motion. The motion passed unanimously. Mr. Burke then moved that the Board accept the Executive Secretary's report. Mr. Meske seconded the motion and it passed unanimously.

Review of the draft of the proposed bill to be presented to the 1985 Legislature was the next item of business. The Executive Secretary noted that each member of the Board had been provided with a copy of the draft and because Mr. Meske had indicated he did not fully understand the bill at the last meeting, he had prepared an example on a flip chart to explain the bill. In his example he said the purpose of the bill was to prevent someone from changing employers for one or two years and writing in their contract a sizeable termination pay amount which then entitled them to an increase in their benefit in accordance with option I, but at the contribution cost of option II. The proposed bill would require 4 years of service with the employer from whom the termination pay is received. At the present time, there

is no service requirement. Chairman Ryan asked if the 4 year requirement would curtail this activity and the Executive Secretary said that this would eliminate the abuses we have experienced thus far in the System. The Executive Secretary said it is the Board's prerogative as to whether they wish to sponsor this legislation or not. Mr. Meske indicated that the Board voted on the proposal at the last meeting. The Executive Secretary added that the Board could eliminate this option entirely. After some further discussion and the fact the Board had approved the proposal at their August meeting, consideration was then given to the letter from the Governor.

The Executive Secretary then distributed a letter from the Governor, asking for the Board's approval of "employer pickup". The Executive Secretary then explained through the use of a flip chart that state employees and members of TRS could have the advantage of having their income taxed after TRS or PERS contributions were deducted from their gross salary rather than the current method of before the deduction. He added that it was strictly a benefit to the employee at no cost to the employer and the Governor was asking the Board for their endorsement of his proposal. The state would stand to lose some income tax revenue from the proposal. The Assistant Executive Secretary said that it would require some modification to our membership accounting sub-system to identify the contributions received after "employer pickup" as opposed to before, for income tax purposes. The Board then discussed the proposal and in view of the fact that the proposal would increase take home pay to our members at no cost to the employer, agreed that it was a good concept. Mr. Kearns then moved that the Board endorse the proposal. Mr. Corbin seconded the motion. The motion carried unanimously.

The next item of old business was Virginia Oursland and Chairman Ryan noted that her case was considered by the Board at their last meeting. The Executive Secretary said that the Board had asked that additional information be submitted by Mrs. Oursland's former employers to substantiate her records and that she had submitted letters from 3 former Superintendents. The Superintendents could not verify the actual number of substitute days claimed by Mrs. Oursland but did verify she was employed by them as a substitute teacher. The Executive Secretary said she would have to make the required contributions. Mr. Corbin moved that we accept the documentation. Mr. Kearns seconded the motion and the motion passed unanimously.

The next item of old business was the letter from Representative Pat Williams and the Executive Secretary said that the Board had instructed him to write another letter expressing our concerns of the PEPPRA legislation and a copy of Mr. William's second letter was provided in the agenda packet. The Executive Secretary advised the Board that the

PEPPRA bill died in committee, but will more than likely be re-introduced sometime during the next session. Mr. Kearns suggested that we try to arrange a meeting when Mr. Williams was in Helena. Mr. Kearns then made a motion requesting a meeting, which was seconded by Mr. Corbin. The motion passed unanimously.

The legal report was next discussed and Chairman Ryan asked for the Executive Secretary's comments. He said that the Sowell case was the only case active right now and was to be heard by the Supreme Court on November 1, 1984. He added that we have lost our attorney, Valencia Lane, who has accepted a position with the Legislative Council. At this time, it was not known who or what would take place. He added that he was concerned that the attorney was not always available when needed. Mr. Corbin felt that because of other duties assigned by her superiors and that we didn't always get a response to some of our requests. He said we should probably consider adding about \$7,000.00 to our budget for an attorney on a 1/4 time basis. Mr. Argenbright said that it is important to maintain continuity and retain someone who is experienced in retirement law. Mr. Burke added that we had Mrs. Lane for a couple of years and it really helped. Mr. Corbin said the budget items could be discussed when we talk about the budget in new business.

Discussion of the public meeting of October 25, 1984, was the next item of business. Mr. Corbin asked for comments from the two people attending the board meeting, who were also at the public meeting. Opal Holm said she was pleased that she could be there and she had never attended a meeting of this kind before, but that she was disappointed there weren't more attending. Mr. Swenson said the publicity was poor, but that it is very difficult for people out-of-town to attend these types of meetings, but the press releases are important in that it brings to their attention that here is a group of people interested in education and getting some of their input. He suggested that the meeting sites be changed and added that he thought those attending the meeting enjoyed it and were given the answers as best as the Board could answer their questions. Discussion followed as to whether the meetings should be continued and it was the consensus that a lot of positive things came out of the two meetings held. Mr. Kearns said that as a result of the meeting he thought the Board should reply to the article concerning the audit. Mr. Swenson concurred and added that any such article should be carefully worded and skillfully handled but could be very meaningful for the Teachers' Retirement System. Mr. Burke said the purpose of the meeting is for some long-range planning and to provide a direction for new board members who may not be as experienced. The site of the next meeting was discussed and Mr. Kearns moved that the next public meeting be held in Billings, at a time and site to be selected at the next board meeting. Mr. Meske seconded the motion. The motion passed

unanimously. Mr. Meske then added that he would volunteer to help publicize the next meeting in coordination with a member of the MEA Retirement Committee who resides in Billings.

There being no further old business, Chairman Ryan noted that the next item was new business. The Executive Secretary said that Sharon Ranstrom and Mart Tanner of Information Systems Division had entered the meeting during the previous discussion, therefore, the chairman may wish to shift the order of business to the computer study. Chairman Ryan agreed and asked the Executive Secretary for his comments. The Executive Secretary gave a brief history of the computer system and that recently a revised cost estimate had been prepared and the Board is now in a position where they would have to approve any additional money if it is required. Chairman Ryan then asked for comments from either Ms. Ranstrom or Mr. Tanner.

Ms. Ranstrom then reviewed the system from its inception to the present time. Over time, because of delays in both organizations, the requirements had to be revised because of changes. There was an estimate done based on a design in April, 1982 and at that time, there were funding problems and the Board had asked if there were other alternatives such as finding a system in another state which would meet the requirements. The proposed system required additional funding of \$181,000.00 to meet personnel costs of ISD as well as computer costs. A survey was then completed of other states and only one state, New Hampshire was found to potentially meet the requirements. In February, 1984, it was found that New Hampshire's system was not adequate and that we would have to proceed to develop our own system. In April, Mart Tanner, began working on the system as time passed, requirements changed, so changes were made from a batch system to an on-line system. It will provide staff with an easier method to change and look at things. As a result of the time that has elapsed, costs have gone up about \$30,000.00 and that is what the Board is being asked to approve for the 85-87 biennium. Mr. Kearns asked how far along the project was? Mart Tanner said the design phase was probably 30-40% done. Development would be done by June or July of next year and implementation would be a phase process with completion by December of next year. Mr. Corbin felt the main interest was what it was going to cost and when it is to be completed. The Assistant Executive Secretary said that there is a balance of \$265,000.00 and we have spent a little over \$55,000.00. Mr. Corbin asked if we would have to go to the Legislature for the money and the Executive Secretary said not at the present time in view of the Budget Office's decision, but there is always that possibility. Mr. Meske asked about what provisions had been made for future changes or enhancements and Ms. Ranstrom said that for future production costs they have allocated a 1/2 FTE to support the system. Mr. Burke asked about the

security precautions. Ms. Ranstrom said the new system would have good security. Mr. Burke moved that we approve the recommendation for the additional \$30,000.00. Mr. Corbin seconded the motion. Mr. Corbin asked if a time limit should be established. The Executive Secretary said that it is going to require a dedicated effort from our staff in the conversion process and Ms. Ranstrom said there are things that could happen in both organization that could delay the project such as something happening to Mary Andridge as she is a very critical piece of the system. The question was then called for and the motion passed unanimously. Ms. Ranstrom and Mart Tanner then left the meeting.

The next item of business was the audit report. The Executive Secretary said he was disappointed in the report in that two years ago, there were only two recommendations. Unfortunately, the Associated Press blew the first recommendation completely out of proportion. The Executive Secretary said that currently the reconciliation is being performed, and the balance has been reduced significantly to only a small percentage of the difference. It was simply a matter of a new person trying to learn a job in a short time and yet catch up on work that was supposed to have been done prior to his accepting the job. The Executive Secretary compared the reconciliation to balancing your checkbook with the bank statement and said there was no money that wasn't accounted for. He said the reconciling should be completed shortly and the 1984- 85 process will be done monthly, so when this is completed we will have implemented the recommendation to the satisfaction of the auditors. Mr. Kearns asked if we wanted to respond to the article and that it was the feeling at the public meeting that a response would be in order. Mr. Argenbright said that you might come up with a statement that the Board has approved the progress that has been made. Mr. Argenbright suggested that if Mr. Laceky wrote the article you may wish to contact him and advise him that the Board has reviewed the article and that it is an internal bookkeeping thing and satisfactory progress has been made. Chairman Ryan said he would talk to Mike Pichette in the Governor's Office about a response. The Executive Secretary then reviewed each of the 4 remaining recommendations and our responses as well as what will be done with each recommendation.

Mr. Burke said that in comparison with the report 6 years ago, that great progress has been made and we're in good shape. Chairman Ryan asked about further action. Mr. Burke moved that we note that the audit report has been reviewed and the steps the staff has taken satisfies the Board and commends the staff on the action taken. Mr. Kearns seconded the motion. The motion passed unanimously.

Chairman Ryan said the next item of business was the 1985-87 budget. The Executive Secretary said that the Board was provided a copy of the budget and the proposed expenses

were listed by expense category. It of course did not include the \$30,000.00 for the computer system or any additional personnel costs other than an upgrade of the two part-time positions to a 1/2 time position to provide assistance in the retired payroll area. The Assistant Executive Secretary said the Board should also be aware that the salary figures could change depending upon what the Legislature does with the pay plan. The Board then reviewed the budget and it was the consensus of the Board that an additional full time position should be included, the \$30,000.00 added for the computer system and \$7,000 for an attorney. Mr. Meske said a number of people have asked why there isn't a toll free number. The Executive Secretary said that such a line could be of great value if used by the membership properly, but that the line would probably be used primarily by people wanting to know the status of their refund applications and the current staff could not handle the incoming calls anticipated by a toll free line. Currently, members can call the Citizen's Advocate Office or the toll free line in the Superintendent of Public Instruction's Office, and they in turn call us and we return the call. Mr. Meske said he could see where right now it would create problems, but when the subsystem becomes on-line it could be of great value. Mr. Burke said that its something that should be looked at down the line. Mr. Corbin moved acceptance of the budget as amended with final consideration to occur later this year at a subsequent board meeting. Mr. Kearns seconded the motion and it passed unanimously.

The letter from Lewis L. Simpson was then considered. The Executive Secretary said there is nothing in the law which would allow a retired member to revoke his retirement and withdraw the remaining account balance. According to the law, the only people eligible to withdraw their account balance is a terminating active member or an inactive member and when you retire and start drawing a benefit, you are not in either classification. The law states that when you retire, you can change your retirement option up until you cash your first check. He said that he had talked to our actuary, Alton Hendrickson and he said there would be absolutely no cost to the system to allow Mr. Simpson to withdraw, but it would establish a dangerous precedent for future requests that could have cost implications. Considerable discussion followed and Mr. Burke said that he didn't think we should get involved in setting this type of precedence. Chairman Ryan asked what part of the codes addressed this. The Executive Secretary cited 19-4-402, which had to do with the retirement option being irrevocable after cashing the first check. 19-4-603 cited that only terminating active or inactive members are allowed to withdraw and 19-4-304 defined who is considered an active or inactive member. Chairman Ryan said he would ask for a motion stating that the statutes do not allow the Board the authority. Mr. Kearns so moved and Mr. Argenbright seconded the motion. The motion passed unanimously.

The NCTR Conference report was the next item of new business. Chairman Ryan said either the Executive Secretary or Mr. Corbin could start with the other to follow. The Executive Secretary said the first general session was devoted to an economic forecast by Dr. Michael J. Boskin, an Economic Professor from Stanford University who indicated that if the deficit were to be reduced, social security benefits and medicare would have to be reduced. He indicated that he attended an actuarial workshop, a workshop on final average salary abuses, COLA's and early retirement incentive program, the gist of which was, we shouldn't be allowing these things in the retirement programs as they are solutions to solve short term problems of employers. The speaker said "lets let retirement programs be what they were originally intended." Another general session was on changing patterns in disability compensation programs and new ways that are being developed to determine disability claims, new management systems, of which the Colorado record keeping system would seem to be of value to other state systems. He also said Pat Moore, an industrial designer who disguised herself as an 80 year old woman and traveled around the country to see what problems older people encountered spoke and was a very worth while and stimulating session. Miss Moore commented that everything is made for the average person and most people in this world are not average, and indicated there could be a lot of changes in industrial designed products. On the last day of the session, a general session to discuss administrators problems or ideas was presented and such topics as mini-computers, inactive accounts and procedures to identify deaths of out-of-state members were discussed. He said the conference had many good subjects as well as some that were not so good but overall it was his impression that it was one of the better meetings from a program standpoint.

Mr. Corbin as part of his report said that in the economic forecast, that 80% of the federal budget is defense, social security, medicare and interest on loan payments and if you are looking to cut the budget, those are 4 areas where you look. In defense, about 88-89% of the spending is personnel costs. He commented on the talk by Pat Moore who said that 1/3 of the available money in this country is in the hand of the elderly and 16% of the population is over 65. Miss Moore is striving to design things for the elderly. Another workshop he attended was on aging issues and it was suggested pretty much that the NEA, AFT and AARP are the leaders in pre-retirement counseling. He mentioned financing for the elderly and the individual Mr. Corbin talked to would send the information. Chairman Ryan indicated he would be interested in this information. Another workshop he attended was on legal liabilities to states because of divorce or death after retirement and one of increasing occurrence. Another thing was a survey on the American Teachers which was a good comprehensive report and he said that the Executive Secretary had a copy for anyone

179

interested. Mr. Corbin said that pre-retirement counseling is something we should be looking at and with that he concluded his remarks of the conference. Mr. Burke moved that we accept the report. Mr. Meske seconded the motion.

Under other new business, the Executive Secretary said that in January he would have 30 years of state service and he is thinking seriously of retiring and wondered how much advance notice the Board would like in order to find a replacement and mentioned a two month period. Mr. Burke said that two months would be adequate and it was the feeling of the Board that no further action would be taken until a formal statement was received.

There being no further new business, Mr. Burke moved that the regular retirement benefits and survivor benefits be approved. Mr. Corbin seconded the motion. The motion passed unanimously.

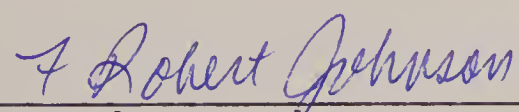
Disability applications were next reviewed, the first being Patricia Rose Paugh, stating multiple sclerosis as the reason for her disability. The Executive Secretary said the physician's statement was very sketchy and the form was passed around to each member. Mr. Burke said that if approved, the case is subject to annual review. Mr. Kearns noted that the doctor had diagnosed multiple sclerosis. Mr. Burke then moved that the disability be approved. Mr. Corbin seconded the motion and it passed unanimously.

The next disability application was from Hazel Martenson of Miles City who stated she was suffering from severe depression with a diagnosis of reactive depression. Mr. Burke did not think an individual with this type of illness should be around children. Mr. Meske moved that the disability be approved. The motion was seconded by Mr. Burke and the motion passed unanimously.

The final item of business was the next meeting date and after considerable discussion, February 8, 1985, was set as the date.

Mr. Kearns then moved that the meeting be adjourned and the motion was seconded by Mr. Meske. The motion passed unanimously.


J. Thomas Ryan, Chairman


F. Robert Johnson
Executive Secretary

RETIREMENT APPLICATIONS - AUGUST, 1984

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Ammons, R. B. (Retro to 07-01-84)	U of M	37.00	\$ 1,393.18	64
Arnold, M. Anne	Yellow.	33.11	1,319.51	65
Baker, Richard T. (Retro to 07-01-84)	Fergus	21.22	433.02	62
Banks, Norma C. (Retro to 07-01-84)	W.M.C.	35.37	1,524.57	57
Blumberg, Lynne M. (Retro to 07-01-84)	Msla.	16.00	656.07	61
Boehmler, Richard M.	U of M	33.53	1,681.83	58
Conroy, Patrick J. (Retro to 07-01-84)	Glacier	31.00	1,789.71	53
Cork, Lee (Retro to 07-01-84)	Msla.	36.50	1,619.23	59
Davis, Delores D. (Retro to 07-01-84)	Ravalli	26.00	663.82	55
Dickensheets, Lillian M. (Retro to 07-01-84)	Park	25.89	1,139.39	57
DiLulo, Blase A. (Retro to 07-01-84)	Yellow.	27.67	830.69	54
Durnford, Robert F.	M.S.U.	40.11	2,135.56	62
English, Junior L. (Retro to 07-01-84)	Valley	30.83	930.59	58
Evans, Maurice	E.M.C.	31.11	1,411.21	54
Fox, Carl L. (Retro to 07-01-84)	Carbon	27.25	1,271.33	51
Graham, Robert D. (Retro to 07-01-84)	Yellow.	32.00	1,231.24	54
Granbois, Thomas M. (Retro to 07-01-84)	Roosevelt	28.00	929.22	52
Harris, John T. (Retro to 07-01-83)	V. R.	20.14	473.30	54
Kober, Johann (Jack) (Retro to 07-01-84)	Roosevelt	29.00	1,734.01	51
Laird, Walton T.	Yellow.	29.28	1,365.17	55
Mars, Ray G. (Retro to 07-01-84)	Yellow.	30.00	1,039.19	56
Matthews, G. Hubert (Retro to 07-01-84)	V.R.	7.55	140.17	52
McLean, Clifton C. (Retro to 07-01-84)	Sheridan	37.92	1,453.48	62
Mus, Raymond B. (Retro to 07-01-84)	Park	28.56	465.49	57
Offt, Arlen Mae (Retro to 07-01-84)	Yellow.	31.50	1,039.86	58

RETIREMENT APPLICATIONS - AUGUST, 1984 (CONTINUED)

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Schultz, Donna (Retro to 07-01-84)	Cascade	33.00	1,055.82	55
Shroyer, George F. (Retro to 07-01-84)	M.S.U.	29.42	1,893.24	50
Shupe, Leonard D. (Retro to 07-01-84)	Blaine	26.00	1,192.95	51
Stone, Albert W.	U of M	33.03	1,777.34	64
Stovall, Joan G. (Retro to 07-01-84)	M.S.U.	30.67	1,190.84	59
Throssell, Rowland (Retro to 07-01-84)	Gallatin	22.50	975.83	61
Williams, Louise (Retro to 07-01-84)	Daniels	26.00	792.71	67
Woods, Sharon Y. (Retro to 07-01-84)	Roosevelt	26.00	745.51	48
Woods, William R. (Retro to 07-01-84)	Roosevelt	26.00	732.60	50
Watkins, John (Retro to 07-01-84)	U of M	33.00	1,717.30	71
Zupan, Marjorie (Retro to 01-01-83)	V.R.	15.00	150.00	60

SURVIVOR APPLICATIONS - AUGUST, 1984

Berryman, Angela (Survivor of George Berryman)	Sil. Bow	19.67	690.22	54 53
Engren, Charles L. (Survivor of Marjorie N. Engren)	Cascade	17.44	664.93	41 41
Morgan, Gloria J. (Survivor of Robert L. Morgan) (Retro to 07-01-84)	Cascade	15.56	531.18	37 39

RETIREMENT APPLICATIONS - SEPTEMBER, 1984

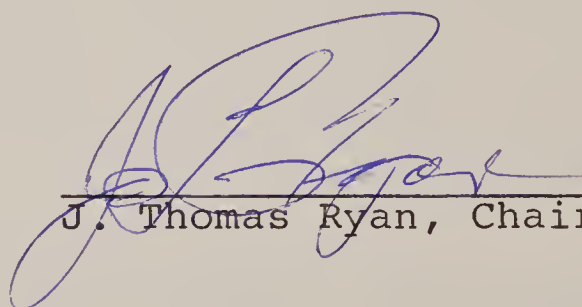
Anders, Clayborn	W.M.C.	31.64	1,393.23	56
Anderson, Charles K.	M.S.U.	21.39	690.38	62
Arnold, Dorothy L. (Retro to 11-01-82)	V.R.	10.92	93.74	60
Bedker, Donald L. (Retro to 07-01-84)	Cascade	30.00	1,261.33	54
Calvert, Charles W. (Retro to 08-01-84)	V.R.	15.00	160.88	50
Cascaden, Norman D.	St. Dept.	25.22	741.79	70
Fauske, Iylla M.	N.M.C.	13.11	495.12	68
Hammer, Donald D.	M.S.U.	32.54	1,068.29	54
Hilsendeger, Alex	Stillwater	23.00	875.11	51
Magnuson, Evelyn E.	Fergus	12.62	181.03	62
Spuhler, Lee	Beaverhead	28.22	1,660.79	51

RETIREMENT APPLICATIONS - SEPTEMBER, 1984 (CONTINUED)


	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Stannard, William A.	E.M.C.	31.22	1,651.37	53
Tague, Kenneth E.	Richland	25.61	854.78	52
Talmage, Jean C.	N.M.C.	16.77	588.00	61
Thistle, James A.	Phillips	25.00	706.25	60
(Retro to 07-01-84)				

SURVIVOR APPLICATIONS - SEPTEMBER, 1984

Clawson, Twilla	Hill	40.17	1,691.09	57
(Survivor of Keith Clawson)				63
(Retro to 08-01-83)				



J. Thomas Ryan, Chairman



F. Robert Johnson
Executive Secretary

LEGISLATIVE MEETING2:00 P.M.October 26, 1984

At 2:15 p.m., Chairman Ryan noted that due to the storm, several people who were due to be present, could not be, however, those present were asked for comments.

Wilbur Swenson, Legislative Chairman of the Montana Retired Teachers' Association said that any bill proposed would have to be done in conjunction with other retired groups and he said they would appreciate backing from the Board as much as possible, but any further action would hinge on what the other groups are going to do. Mr. Swenson added that if the Board had any ideas of creative funding, please let them know.

Opal Holm then said that she had been elevated to the post of President of the Montana Retired Teachers' Association, due to the resignation of G. V. Erickson and would probably serve in that office through the expiration of Mr. Erickson's term as well as her own.

Sue Romney of the Montana University System said she was there primarily to listen and to see what the other employee groups were going to do. She said that the faculty association represented by the AAUP at Eastern Montana College is interested in and she also believes will support the "employer pickup" concept and that the Commissioner of Higher Education had written Mr. Johnson in regard to his position.

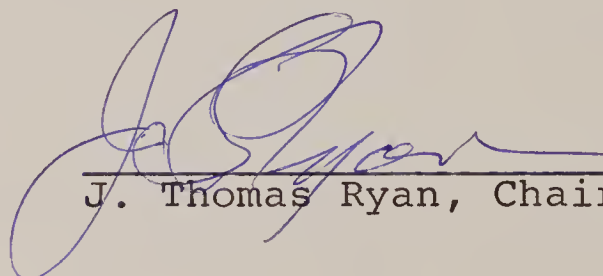
Mr. Meske said that the MEA was unable to appear, but that he would like to indicate some of the things they intend to propose. One, is to change the makeup of the Board to make it compatible with the PERS Board of 3 active members, 1 retired member and 2 public members. The TRS Board currently has 2 active members, 1 retired and 2 public and the Superintendent of Public Instruction. The MEA is proposing to make the Superintendent a non-voting member and add one more active member from the Teachers' Retirement System. They also have a concern that the Montana Taxpayers' Association is to cause the funding of the retirement system or the part the school is required to set aside for retirement, which is currently part of the permissive levy, to be put under the General Fund where the Legislature would have to make it an appropriation each year, which could really hurt the retirement system and could probably have a great deal to do with negotiations in local systems. Mr. Meske said the MEA is looking at coming up with a new method of funding or have some proposal in their back pocket to counter anything the Montana Taxpayer Association may

present. He said the MEA is in support of "employer pickup" and would support a cost of living adjustment to retired members as long as the proposal includes a method of funding which is what the Legislature is going to ask anyway. The other suggestion the MEA made was since we had a weather problem, today, that the Board consider holding another meeting in Helena sometime before January.

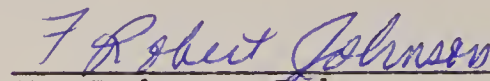
Mr. Kearns said that evidently there is a group in Helena that meets on legislative issues and Chip Erdmann, Attorney for the Montana School Boards Association is a person we could contact and go to that meeting instead of having another legislative meeting. Chairman Ryan said that we should attend as many of these meetings as possible and someone like Mary or Bob from the TRS Office should attend, as well as advise those Board members who lived close.

The Executive Secretary then explained the TRS Board's proposed bill to those present.

Chairman Ryan then declared the legislative meeting adjourned.



J. Thomas Ryan, Chairman



F. Robert Johnson
Executive Secretary

EXECUTIVE SECRETARY'S REPORTFebruary 8, 1985

The tempo always seems to pick up when the legislature is in session and this goes hand-in-hand with letters requesting retirement estimates, year-end tax information to benefit recipients and changes of address from our retired members, many of whom migrate in the winter. Visitors to the office also seem to increase because of legislative hearings and meetings that are scheduled, for Helena with the legislature in session.

I have been advised that there were some 60 draft requests submitted pertaining to retirement legislation and a fair share of those will be pertaining to the Teachers' Retirement System. I'm aware of 8 bills at the present time (one of which was killed in the Senate). Since legislation is an item on the agenda, we will defer to it later.

Around the middle of December we received shipment of our IBM word processor. We are now able to provide original copies of the material originating on the word processor, rather than copy machine duplicates and you may have noticed that the board material has a better quality. The word processor has been a delight to our secretary, Denise Blankenship and she is very enthused about the capabilities. We have experienced some mechanical problems with the printer and it still does not perform the way it should. We plan to do our financial report with the equipment, which will save a lot of manual time now being performed.

As far as any field work, we stay pretty close to home when the legislature meets. However, on November 27, 1984, Mary went to Great Falls to give a presentation to teachers looking at retirement and she estimates 75 or more attended the meeting. On January 22, I spoke to the Helena Retired Teachers' Association and it was announced that 93 attended the luncheon. Mr. Corbin also advised me that he spoke to about 40-45 retired teachers' in Butte, at one of their regularly scheduled meetings.

Progress on our new computer system received another setback when Mart Tanner, the system analyst assigned to our project resigned. This is the fourth systems analyst we have had on the project since we rejected the original phase 3 design and each time this happens, a delay occurs in order for the newly assigned analyst to have sufficient time to learn the system. The delays in the past two years have been largely due to the turnover and for a long period of time prior to Mart Tanner, there was not an analyst assigned to the project. This has had a lot to do with the increased costs of the system. The newly assigned analyst has been with the division for some time, so there is hope that this one will be there to the finish.

Executive Secretary's Report - Continued
February 8, 1985
Page Two

A request to the Department of Administration to have our accountant position reviewed for possible upgrade was sent to the Department of Administration. The position was subsequently audited and an interview with the position supervisor, which is Mary, was held. As of this date, we have not received any word on the request, other than informal conversation. The feedback we get is that the position seems to be fairly graded and the request will probably be denied.

TEACHERS' RETIREMENT BOARD MEETING

FEBRUARY 8, 1985

The meeting was called to order at 9:30 a.m., by Chairman Ryan. Those present were:

J. Thomas Ryan, Chairman
Edward F. Argenbright
James Burke
LeRoy Corbin
Kenneth Meske
Mary L. Andridge

It was noted that Mr. Kearns and the Executive Secretary were absent.

The first item of business was consideration for approval of the minutes of the meeting of October 26, 1984. Mr. Burke moved that they be approved as submitted. Mr. Corbin seconded the motion. The motion carried unanimously.

Financial statements, budget report and investment report were next considered. Chairman Ryan asked for comments from the Assistant Executive Secretary. The Assistant Executive Secretary noted that on the consolidated financial statements, there is now a comparative statement and that a new addition investment return on the various classes of investments has been included. Mr. Meske then asked about progress on the audit recommendations. The Assistant Executive Secretary said that the big difference was a coding error and the remaining difference is coming along real well. Mr. Corbin then asked about the budget and the Assistant Executive Secretary said that we were pretty much on line with expenditures in accordance with elapsed time. Mr. Argenbright asked whether the new phone system has had an affect. Mrs. Andridge said she had noticed a slight increase in costs. Mr. Burke moved that the financial statements, budget report and investment reports be accepted. Mr. Meske seconded the motion. The motion passed unanimously.

Chairman Ryan then suggested that the Executive Secretary's Report be deferred until he joined the meeting. The Board was then advised that Dennis Taylor and John McEwen of the Personnel Division were here to meet with the Board and they were admitted to the meeting. The Executive Secretary also joined the meeting at this point. Chairman Ryan then welcomed Mr. Taylor and Mr. McEwen to the meetings and the proper introductions were made. The Executive Secretary said

that the Board at their last meeting had requested a meeting with Mr. Taylor and he had asked him to give the board an overview of the position classification system. Mr. Taylor then gave a brief history of the classification system and basically how some 13,000 jobs in state government are classified into 1,400 occupations. Mr. Corbin said his concern as a board member is the turnover in the System, which disturbs the continuity of the office and Mr. Burke mentioned that we seemed to be training employees for other state agencies, where they are hired at a better grade, but basically doing the same work. Mr. Taylor commented that one of the advantages of state employment is the upward mobility to move into more complex and higher graded positions. He added that people get confused with the adequacy of the pay system and how appropriate the pay decisions are. He said the pay is not competitive in the Montana market for grade 11 and above, and lower skilled positions tend to be at Montana's market for similar skilled jobs. Grades 16 or above seem to be off the Montana market between 5 and 8% and when you compare them to surrounding states as much as 20% off the market. Mr. Corbin mentioned that the Executive Secretary and Assistant Executive Secretary are at the bottom of the list in comparison to other state teacher retirement systems. Mr. McEwen said that is true of most managerial positions in Montana. Mr. Taylor said the Board always has the option to approach the Legislature and ask that these positions be exempt from the pay plan, but that he would probably oppose the legislation. Mr. Burke said that the Board would like to have the right to pay the good administrators a good salary. Mr. McEwen pointed out that this is the 4th Legislative session in which a performance pay proposal has been submitted and the measure has not passed. Discussion then ensued about the request to have the accountant's position upgraded and what the current status of the request was. Mr. Taylor advised the Board of various approaches they could take if the request was denied. The Board then expressed their appreciation to Mr. Taylor and Mr. McEwen for coming. At this point the Executive Secretary left the meeting for a legislative hearing and Mr. Taylor and Mr. McEwen left the meeting.

Mr. Argenbright then said he sincerely believes that the Board should pursue exempting the Executive Secretary's position and the ways of doing this were then discussed. Mr. Corbin moved that legislation be requested for exempt status from the pay plan for the Executive Secretary of the Teachers' Retirement System. Chairman Ryan suggested that the motion be amended to the affect that we also look into amending an existing bill and Mr. Corbin agreed to the amendment. Mr. Burke then seconded the motion and the motion carried unanimously. Mr. Kearns then entered the meeting.

The Sowell case was the next item of business and the Assistant Executive Secretary noted that each board member had received a copy of the Supreme Court ruling. She said there was a petition for rehearing but the petition was denied.

Attorney Mike Young has advised us to proceed with the processing of the claim to Evelyn Sowell Wheelon. Mrs. Sowell has filed a suit in district court suing us for negligence. Chairman Ryan then asked if we had an attorney assigned to us at this time and the Assistant Executive Secretary said that we had not.

The budget for 1985-1987 was next considered and Mrs. Andridge said that there was one correction under expenditure code 2175, the current figure of which should be \$44,226 instead of \$42,525. The Assistant Executive Secretary said that the inflation factor of 4% was not included in the original calculation. In regard to the \$7,000 for the legal fees, we were advised that we would also be paying employer benefits in the amount of \$1,041.00 for Fiscal Year 1986 and \$1,044.00 in Fiscal Year 1987. Mr. Argenbright asked if we had our budget hearing and the Assistant Executive Secretary said the hearing was held at 7:00 a.m., this morning and the committee approved the budget as submitted. Mr. Burke then moved that the changes be approved. Mr. Kearns seconded the motion and it passed unanimously.

The Assistant Executive Secretary suggested to the Chairman that since the Executive Secretary was not here that the order of business be shifted to new business and Mary Louise Hall. Chairman Ryan agreed and asked for comments. The Assistant Executive Secretary said that Mrs. Howell had retired July 1, 1984 and in closing her account it was found that in the early 70's she was allowed to purchase previous membership service that she withdrew, but she was also allowed to purchase service that was not her service and, therefore, is receiving credit for about 7 months of service to which she is really not entitled. There were two Mary Louis's in Dillon and the contributions for both were misposted. Mr. Burke questioned whether we could take it away from her at this point. The Assistant Executive Secretary said, by law the Board has the right to adjust a monthly benefit when an error is discovered. Mr. Burke said that we should probably seek a legal opinion. Chairman Ryan said that the correction should be made. Mr. Kearns then moved that we seek a legal opinion. Mr. Burke seconded the motion. The motion passed unanimously.

The next item of business was the NCPERS meeting, March 24-28 in Las Vegas and the designation of delegates. The Assistant Executive Secretary said the board member scheduled would be Chairman Ryan. Mr. Ryan said his wife's health situation would dictate whether he could attend. After some discussion as to who would replace Mr. Ryan if he could not attend, it was decided the decision would be made at that time and Mr. Burke moved that Chairman Ryan and Mary Andridge be designated as delegates to the NCPERS Convention. Mr. Corbin seconded the motion and it passed unanimously. The Assistant Executive Secretary advised the Board that she is considering

driving to Las Vegas and since we must go by the cheapest way possible, that would be in lieu of the price of an air line ticket. Mr. Burke then mentioned that with the new low price air fares, we ought to buy our tickets now, if possible. The schedule for the next year was then reviewed. Mr. Corbin then moved that Mr. Meske and the Executive Secretary be designated to go to the NCTR Convention in San Antonio. Mr. Argenbright seconded the motion and it carried unanimously. With the passage of the motion this would authorize the purchase of the airline tickets at the lower prices, Chairman Ryan noted.

Order of business then went to consideration of the retirement and survivor benefits. Mr. Corbin moved that the regular retirement and survivor benefits be approved. Mr. Kearns seconded the motion and it carried unanimously.

Consideration of the disability applications was the next order of business.

The application for Alice Bassett was first considered. After reviewing the attending physician's statement Mr. Argenbright moved for approval. Mr. Kearns seconded the motion. The motion carried unanimously.

The next application was that of Edwin Davis. Mr. Meske was familiar with the individual and discussed his illness. Mr. Corbin then moved that the application be approved. Mr. Meske seconded the motion and it passed unanimously.

The application for Jack Felts was next reviewed. Mr. Corbin moved that the application be approved. Mr. Argenbright seconded the motion and it carried unanimously.

Donald G. Rudes application for disability was then reviewed. Mr. Burke moved that the application be approved. Mr. Kearns seconded the motion. The motion carried unanimously.

Dorothy Keck of Havre was next considered and after some discussion of her injury Mr. Burke moved that the application be approved. Mr. Argenbright seconded the motion. The motion carried unanimously.

The next application was from James Dennehy. Mr. Burke moved that the application be approved. Mr. Meske seconded the motion. The motion carried unanimously.

The final application was for Sylvia Adam. Mr. Burke moved that the application be approved. Mr. Meske seconded the motion. The motion passed unanimously.

Mr. Argenbright then advised the Board that he would not be able to return for the afternoon session and the meeting was adjourned for lunch.

The meeting reconvened at 1:10 p.m. and the Executive Secretary rejoined the meeting at this time.

Chairman Ryan said the Executive Secretary's Report would next be considered. The Executive Secretary said there are a lot of bills affecting the Teachers' Retirement System, about 8-10 right now and legislation will be discussed during the legislative portion of the agenda. The Executive Secretary then commented on Mrs. Andridge's trip to Great Falls and his talk to the retired teacher's group in Helena, along with Mr. Corbin's speech to the Butte retired teachers. Chairman Ryan then said the Board should consider having a meeting on goals and objectives scheduled for Billings to be held in conjunction with the Billings Retired Teacher's monthly meeting. He added that it would probably be more successful to talk to a group that has some concerns than what we've been able to reach so far and asked for the opinion of the Board. Mr. Burke moved that the Executive Secretary and Assistant Executive Secretary investigate the possibilities of having a meeting in April, as Chairman Ryan had indicated. Mr. Kearns seconded the motion and it passed unanimously. The Executive Secretary said the budget hearing held earlier in the morning went very well and the subcommittee approved the budget, as submitted with the exception of a 2% vacancy savings which has been put on all state agencies. He said that he and the Assistant Executive Secretary had met with representatives of the Personnel Department and the feedback we were getting was that the accountant's position seemed to be fairly graded. Mr. Corbin suggested that we pursue every avenue we can to get that position upgraded. Mr. Meske said that they seemed to indicate earlier this morning that the route to take would be to talk to Ellen Feaver, Director of the Department of Administration. Mr. Burke then moved that the Executive Secretary's report be approved. Mr. Kearns seconded the motion and it passed unanimously. Mr. Kearns then moved that if the upgrade for the Accountant's position be turned down, the Executive Secretary be directed to contact Ellen Feaver about further action. Mr. Corbin seconded the motion and it passed unanimously.

The Board's long term goals and objectives program and what further action should be taken was next discussed. Mr. Corbin said that in talking to some of the retired members following the meetings in Butte, that they felt the health insurance was an important item. The Executive Secretary said that House Bill 270 would establish a commission to look into the problems and effects of rising health insurance costs on retired public employees. The Board then noted that the Executive Secretary had been directed into looking into holding the next public meeting in conjunction with the Billings Retired Teachers' Association.

Legislation was the next item of business and the Executive Secretary gave a status report on each bill affecting TRS that has had a legislative hearing. He said Representative Eudaily who had sponsored the Board's bill House Bill 256 suggested an amendment to the committee, which says in option 2 the termination pay shall be divided by the total number of years of creditable service rather than the years of creditable service from the employer from whom the termination pay is received. The bill seemed to get a good reception from the committee but he did not know what action they might take on the possible amendment. Mr. Corbin asked if there was any opposition to the bill and the Executive Secretary said no. Mr. Meske felt the amendment would give the law more strength. The Executive Secretary felt that the amendment might subject the system to a possible lawsuit if we applied it to everyone after passage of the law. The Executive Secretary then discussed House Bill 298 and House Bill 351. House Bill 539 which would add another active member to the Teachers' Retirement Board was discussed. The Board then discussed the intent of the amendment to remove the language "representatives of the public" and inserting "members at large." Mr. Corbin questioned the definition of members at large. Mr. Burke said he opposed this change and Mr. Corbin said he would also oppose the change. Mr. Burke said he opposed the entire bill, but if he had to compromise, he would like to see the afore mentioned amendment changed. Mr. Burke then moved that we amend section (c) (copy of bill attached) to the original language. Mr. Kearns seconded the motion. The motion carried unanimously. Mr. Corbin then moved that the language in 2(b) as amended be approved. (provided for three persons appointed from the teaching profession who are members of the system). With Chairman Ryan voting aye, the motion passed three votes to two. House Bill 632 and Senate Bill 315 which provided a cost of living adjustment to retired teachers was then discussed. The Executive Secretary said that the funding for the bills was provided by an increase in the employer contribution rate. Mr. Burke said that the Board has told the retired teachers group that they would support these types of measures. Mr. Corbin then moved that both bills, House Bill 632 and Senate Bill 315 be supported by the Board. Mr. Meske seconded the motion and it passed unanimously. The Executive Secretary said that Senate Bill 8 which added a member of the TRS Board to the Board of Investments had passed the Senate and was in the House but no action had been taken. Senate Bill 161 which would change the source of funding for retirement programs for school districts by authorizing the Legislature to appropriate funds to equalize the financing and requiring the Superintendent of Public Instruction to distribute the funds to each County Superintendent on the basis of a dollar amount per average number belonging was next discussed. Mr. Corbin moved that the Board support the bill. Mr. Meske seconded the motion. The motion passed unanimously. The Executive Secretary said that there was another bill coming out which would be sponsored by

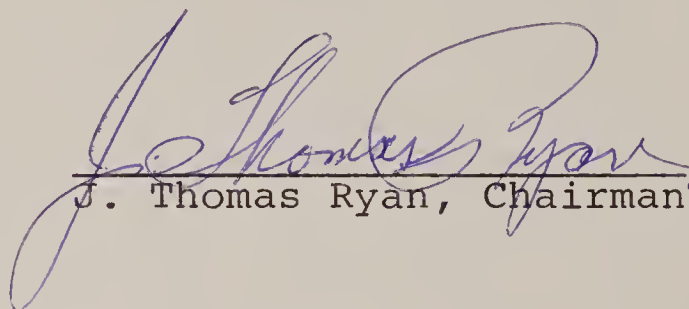
Representative Pavlavich of Butte. He said the Board may recall that Ronald Kenison had appealed to the Board to allow him to purchase his 3 years of teaching at Butte Central. Due to the fact that the law states the last 5 years of creditable service must be in Montana as a contributing member of TRS, the Board denied his appeal. Mr. Pavlavich's bill would remove the requirement to have 5 years following the type of service being purchased.

Mr. Meske said that this falls in line with the request from the teacher in Helena who wanted the Board to consider changing the leave provision to allow someone to buy leave time without having to become a member of the Montana Teachers' Retirement System prior to the leave. Mr. Meske asked if the other board members had received similar letters and they had not. The Executive Secretary then passed out copies of the letter from William Eiker, the member referred to by Mr. Meske. The Executive Secretary said the proposed bill would open up the buy-in provision to a lot of people who would not have the right to buy this service, which would result in an unfunded liability. Mr. Hendrickson had calculated that to allow Mr. Kenison to buy his 3 years of service, the cost to the system would be about \$15,000.00 over and above what Mr. Kenison would have to pay for the service Mr. Eiker's proposal would also result in the same kind of unfunded liability. The Executive Secretary said he had talked to Mr. Hendrickson about the reason for the leave provision and that it was to allow the in-state member to buy service for time his/her membership service which might be interrupted. A teacher may have gone back to school or had to take a leave of absence and then rejoined the system and the Board at that time felt it was fair that the member be entitled to purchase that service, so the leave provision was passed in 1973. Mr. Burke said he would be opposed to this type of legislation and he thinks the present intent is good and that further he doesn't believe in the passage of laws for one person. He, therefore proposed a motion to oppose Mr. Pavlavich's bill and Mr. Eiker's request. Mr. Kearns seconded the motion and it passed unanimously.

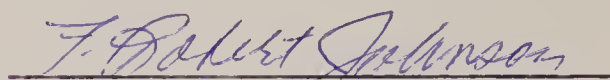
Under other new business, the Executive Secretary said a member, Mervin Finstad had addressed a letter to the Board in which he requested that he be allowed to withdraw 6 years of previous membership service that he has since repaid. The Executive Secretary said there is a law requiring a member to terminate his employment in a position covered by the System in order to be eligible for a withdrawal. Mr. Burke said we have a law to abide by, so we should check with someone as to the legality of the request. Mr. Burke moved that we ask for a legal opinion and if the legal opinion says we must abide by the law, give the Executive Secretary the authority to notify the member. At this time, Mr. Kearns left the meeting. The Executive Secretary said that without an attorney, it may be sometime before we get an opinion but he would ask Mr. Young.

Mr. Meske then seconded the motion and it carried unanimously. Chairman Ryan then asked if we could possibly use Mr. Argenbright's attorney and the Executive Secretary said he would talk to him.

The Board then stated the next meeting would be in Billings in conjunction with the goals and objectives meeting. Mr. Corbin then moved that the meeting be adjourned and the motion was seconded by Mr. Burke. The motion for adjournment passed unanimously.



J. Thomas Ryan, Chairman



F. Robert Johnson
Executive Secretary

RETIREMENT LISTINGRETIREMENT APPLICATIONS - OCTOBER, 1984

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Bethke, Bonnie B. (Retro to 06-01-84)	V.R.	21.00	\$ 341.08	50
Crosby, Katherine G. (Retro to 07-01-84)	Rosebud	14.52	336.11	67
Diener, Frank Harley (Retro to 07-01-84)	Fergus	18.94	396.85	60
Evans, Helen O. (Retro to 08-01-83)	V.R.	12.00	120.00	60
Gibson, Harry W.	V.R.	23.17	504.28	50
Grayson, Lyle B.	Yellowstone	16.52	581.24	55
Halbert, Agnes I. (Retro to 07-01-83)	V.R.	21.16	279.55	53
Ibsen, Norma P.	Missoula	15.74	608.25	63
Olsen, Ronald (Retro to 07-01-84)	Lake	25.29	961.99	50
Ricahrdson, Hazel M. (Retro to 07-01-84)	Custer	19.56	303.42	60
Sannon, Richard E.	U of M	34.25	1,643.92	59
Teylingen, Arie A.	MSU	23.33	1,284.08	63

RETIREMENT APPLICATIONS - NOVEMBER, 1984

Devereaux, Jason (Retro to 10-01-81)	V.R.	20.67	244.72	54
Messer, Irene E.	V.R.	14.57	185.81	60
Paugh, Patricia (Retro to 07-01-82)	Roosevelt	16.33	292.40	44
Sonderman, Marie V.	Lewis & Clark	26.72	1,015.66	58

SURVIVOR APPLICATIONS - NOVEMBER, 1984

Dahlstrom, Kathryn S. (Survivor of Vernon A. Dahlstrom)	Yellowstone	25.62	1,032.19	41 48
--	-------------	-------	----------	----------

RETIREMENT APPLICATIONS - DECEMBER, 1984

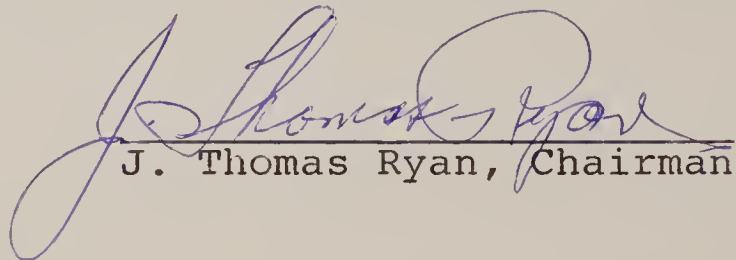
Arkava, Morton L.	U of M	19.93	838.73	50
Martenson, Hazel A.	St. Dept.	21.56	519.87	57
Serrette, Joy A. (Retro to 10-01-81)	V.R.	5.75	44.18	52
Wertz, Julia (Retro to 10-01-84)	V.R.	14.00	179.43	56
Wylie, Hazel A. (Retro to 07-01-84)	Beaverhead	5.00	45.12	56

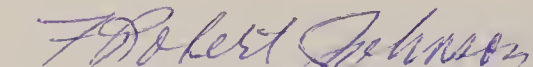
RETIREMENT LISTING

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
<u>SURVIVOR APPLICATIONS - DECEMBER, 1984</u>				
Mathews, Jackie P. (Survivor of Perry C. Mathews)	Lewis & Clark	25.07	990.07	55 55

RETIREMENT APPLICATIONS - JANUARY, 1985

Blodgett, Max H.	Blaine	27.67	1,207.14	56
Dubbs, Arthur L.	M.S.U.	35.92	1,609.58	60
Eik, Mary D. (Retro to 07-01-84)	Carbon	21.11	493.90	61
Johnson, Phoebe	Missoula	34.23	999.20	71
Stephens, Jean H. (Retro to 05-01-80)	V.R.	9.56	112.22	60


J. Thomas Ryan, Chairman


F. Robert Johnson
Executive Secretary

EXECUTIVE SECRETARY'S REPORTApril 12, 1985

Each legislative session seems to require more time, which puts additional pressure on the Assistant Executive Secretary and other staff. This time of year is always busy without the legislature being in session. I have attended 23 hearings so far and it appears that there could be 3-4 more before the session is over. I have heard that there were approximately 60 retirement bills this session and this is the primary reason the resolution proposing a study to consolidate TRS and PERS was proposed. The constant pressure to seek additional benefits because one of the other systems has the benefit makes the legislators weary of this leap-frogging effect and the concept of one retirement system is very attractive to them.

My assessment of the legislative session as far as it pertains to TRS is that we have fared pretty well so far, with only one bill killed, which we supported. Two bills that we opposed were both killed. However, our budget still has to come before the Senate Finance and Claims Committee and with the resolution to study consolidation, my impressions could change.

Helen Verwolf, accounting clerk resigned March 8, 1985, to accept a higher paying position with the Fish, Wildlife and Parks Department. Mrs. Verwolf had been employed since November, 1983 and this is about the average length of time we can keep people in this type of position. After about a year and one-half they have the experience to qualify for a higher grade in a larger state agency. Mrs. Verwolf was a good employee and we will miss her. Monica Miller, general office clerk was promoted to fill Mrs. Verwolf's position, so recruitment began for Mrs. Miller's job. Seventy eight applications were received and seven were interviewed with Ms. Jana Umfleet selected.

The request to have our accountant position upgraded was denied, as we thought it would be. I talked to Ellen Feaver, Director of the Department of Administration, as to what further steps could be taken and she suggested I talk with Jim Nys, Personnel Officer as to the proper procedure to follow to ask for a pay exception, which is our only remaining avenue other than an appeal by the individual. Due to the legislative session, I have not had time to do this yet, but will pursue it as time allows.

This is also the time of the year when we conduct employee performance evaluations, which I think have proven to be beneficial to both the employee and the supervisor. Duties are defined and job standards are written for those duties, which are then discussed between employee and their supervisor and the employee is then evaluated on how well they meet the job standards.

IBM has not yet solved the problems of our word processor, so they have agreed to provide us with an entirely new system.

TEACHERS' RETIREMENT BOARD MEETINGAPRIL 12, 1985

The meeting was called to order at 8:30 a.m., in the Empire Room of the Northern Hotel, Billings, Montana. Those present were:

J. Thomas Ryan, Chairman
James Burke
LeRoy Corbin
Kenneth Meske
Mary L. Andridge
F. Robert Johnson

The Chairman noted that Edward J. Argenbright was excused because of legislative responsibilities in Helena and that J. William Kearns Jr., was excused due to pressing business obligations.

Also present were Dr. Donald Easton, representing his wife Evelyn Easton and Laurence Martin, Attorney for School District Number 2, Yellowstone County, as well as serving as legal counsel for Mr. and Mrs. Easton.

Chairman Ryan said there was a request to have the order of business changed to allow the petition of Evelyn Easton to be heard, along with subsequent testimony. Mr. Burke moved that the order of business be changed to allow the request. Mr. Meske seconded the motion. With Chairman Ryan voting aye, the motion carried unanimously.

The Executive Secretary said that all of the correspondence relative to Evelyn Easton had been given to each board member as part of the agenda material and he explained that Mrs. Easton had been employed as a Head Start teacher by School District Number 2, Yellowstone County, in the late 60's and that no contributions were withheld on her employment, as well as several other employees in a similar capacity, and Mrs. Easton is petitioning the Board to allow her to buy that credit. The Executive Secretary said the law provides that anyone employed in an instructional capacity by a school district for 30 or more full-time days, is eligible for membership and contributions are required to be withheld. He said he doesn't think there is any doubt that Mrs. Easton is entitled to receive credit for the service. The question is where the liability rests? Should the Board allow Mrs. Easton to buy the service or is the employer liable for the

contributions? Mr. Corbin asked the Executive Secretary whether the school district was in error in not withholding contributions? The Executive Secretary said, yes, then added that the school district is claiming the statute of limitations has passed and that consideration should be given to allow Mrs. Easton to buy that service and perhaps Mr. Martin would like to comment on that, however it is also his understanding that there is a two years period from the date the error is discovered before the statute of limitations apply. Mr. Martin said that in terms of the statute of limitations, there is a statute in Montana, which says you have two years from the date of fraud, mistake, etc., for the statute to run. The real issue is whether that is applicable. Mr. Martin said exactly how many individuals are involved and what the state of the records are, he is not really sure. He said the School District's position is that it was a matter ended in 1970 and it is 15 years later and is over and done. He was not sure why contributions were not withheld, but that Dr. Easton and his wife are willing to pay the contributions and the school district is agreeable to that. He said he felt Dr. Poston, Superintendent would be willing to work out some kind of arrangement with the Board and it is his opinion that Head Start teacher's were employees of the District and should be eligible, but doesn't agree that there would be two years from the date of discovery. The School District is not eager to get into a legal hassle with the Board, but they do support Mrs. Easton's request to be allowed to buy into the System for those years. Dr. Easton reaffirmed Mr. Martin's statement that they were prepared to pay the required contributions, both employee and employer. Mr. Martin said that some time back an employee in the same situation was allowed to purchase the service, so the error should have been discovered then. The Executive Secretary said that this type of thing is an everyday occurrence and when we are advised that an error has been made, and provided the employee and employer contributions are received, that service eligibility is restored, however, in the instance of Mrs. Mertens, it was not known at that time that there were other employees involved. The Executive Secretary said, that if you look through the correspondence, there was a statement from Joe Callen that the School District simply acted as a fiscal agent for the program, which implied that they were not employees during that time and that this was the basis for denying Mrs. Easton the service. There was considerable discussion about the Title I Program during that time and the uncertainty as to the status of those employees. Chairman Ryan recalled his working with the MDTA program at that time and the problems occurred primarily in Billings because they did not look at those people in these programs as employees. Mr. Meske asked Mr. Martin as to the position of the school district on the statute of limitations and to what extent the Board has been involved. Mr. Martin said the Superintendent has been very much involved, but to what extent the Board has been involved, he really doesn't know. As he looks at it, the statute of limitations has run and whether or not the School

District would agree to some other basis, he really is not sure. If the Teachers' Retirement Board gave some signal or recommendation as to what should be done, they would look at it. Mr. Meske inquired as to whether the other people involved were aware of this and both Mr. Martin and Dr. Easton replied in the negative. Mr. Corbin said that in reality they should be a part, otherwise we may have to solve them on an individual basis. After further discussion, Mr. Corbin moved that the Board approve Mrs. Easton's request for eligibility of the service. Mr. Meske seconded the motion. With Chairman Ryan voting aye, the motion carried unanimously. Mr. Burke then moved that it is the Board's decision that the school district should be liable for the contributions, as well as the interest those contributions would have earned, as the result of being the employer. Mr. Corbin seconded the motion and with Chairman Ryan voting aye, the motion carried unanimously. The Chairman then directed the Executive Secretary to write a letter to the School District and Mrs. Easton to advise them of the Board's decision. Mr. Martin and Dr. Easton then left the meeting.

Business then reverted to the original order.

Mr. Corbin moved that the minutes of the meeting of February 8, 1985, be accepted. Mr. Meske seconded the motion. The motion passed unanimously, which included Chairman Ryan's vote.

The Executive Secretary then said the current policy on the board minutes is not to type the minutes in the minute book until they are approved by the Board, which is a six month time lapse. Some groups are interested in receiving copies of the minutes before that time, but they have not been sent until the Board has formerly approved them. Mr. Corbin then moved that the minutes be sent out with the notation "Subject to Approval by the Board". Mr. Burke seconded the motion and with Chairman Ryan's vote it passed unanimously.

The Executive Secretary's Report was then considered and he mentioned that each session seems to demand more of his time and additional duties then fall back on the Assistant Executive Secretary and the staff. He then discussed the remainder of the report. Mr. Corbin asked about the status of exempting the Assistant Executive Secretary and Executive Secretary's salary from the pay plan. Chairman Ryan noted that there may be a way now that the budgets are being heard in the Senate. Mr. Corbin then moved that the Board accept the Executive Secretary's Report. Mr. Meske seconded the motion. The motion carried unanimously with Chairman Ryan voting aye.

Under Old Business the first item discussed was the legal report. The Executive Secretary said that an attorney has been hired by the Department of Administration, effective April 15, 1985. The attorney hired was Vida Lovitt from Missoula. The case of Mary Louise Hall was referred to Mr. Argenbright's

office, for an opinion as directed by the Board and the opinion for Mervin Finstad was referred to the Legal Services Division, of the Attorney General's Office, for an opinion on that issue and as of this date, nothing has been received.

Under legislation, the Executive Secretary reviewed each bill that had to do with the Teachers' Retirement System. House Joint Resolution 47, which had to do with a proposed study to consolidate TRS and PERD stirred up some discussion. Mr. Meske suggested that the Board take one day to discuss general information, as to why we are opposed to consolidation and also asked for a benefit sheet, which would explain the benefits and a history of the contribution rates for TRS and the other pension plan of the State. Mr. Corbin said something should be done to get the feeling of the membership and they should be given the facts, as to what they are going to lose. After some further discussion, Mr. Corbin moved that the Board have a position paper as to why we are opposed to consolidation. Mr. Meske seconded the motion. Chairman Ryan voted aye and the motion carried unanimously.

The next item of business was Edward Davis. The Executive Secretary said that the Board at their last meeting, approved the disability application for Mr. Davis. He went on to explain that the law provides that the earned compensation of a member who is awarded a disability retirement allowance, prior to the completion of a full year, is the compensation, pay or salary he would have received had he completed a full year. Mr. Davis had a partial year the 1982-1983 year, he was out of teaching the 1983-1984 year and tried to come back for the 1984-1985 year. Therefore, he had two partial years. The question is since there were two partial years, do we convert both partial years into full-time salaries in the calculation of his benefit? Mr. Meske said that Mr. Davis was on a long term disability from the district and an employee of the district. Therefore, it would appear to him that it would be proper to use the 1984-1985 salary. The Executive Secretary said it would increase his monthly benefit approximately \$65.00 per month and that this is the first situation where a member has had two partial years. Mr. Meske then moved that we convert both partial years to full years salaries. Mr. Corbin seconded the motion and with the Chairman Ryan voting aye, the motion carried unanimously.

Chairman Ryan noted the next item of business was the NCPERS Report. He said that there were 984 registered. On the investment side, they mentioned to get into long term financial plans instead of short term exciting plans. The speaker that caused a lot of excitement was the lady that started with \$200.00 and is now a millionaire. She related how she did it by starting her own business. He noted that there was a lot of discussion on investment in South Africa and that there will be more legislation to get out of investments in that country. There was more concern about increased taxation to finance

programs, health care costs concerns, etc. Chairman Ryan noted that there is a trillion dollars in pension funds, 1/2 trillion in public pension plans. The question as to why the Federal Government is interested is because they say they are providing some of the funds and, therefore, have an interest. Chairman Ryan said there are more questions raised than there are answers given to solve these problems. Corporate America is going to belong to the pension plans, which are investing in these companies. Just studying public pension plans seems to improve the performance in some states. He cited several states where improvements had been made and said 33 states now have some prudence requirements. Chairman Ryan said he thought the most exciting speaker was the lawyer from Texas, Carlos Resendez, who talked about misused funds and that possibly Las Vegas was the best place to talk about the misuse of funds. He said that it was brought out that trustees must know their duties and use the prudent man rule as guidance. Trustees have a duty to protect the rate of return. Real estate was prominently mentioned as an investment vehicle for pension plans because of the cash flow program. He said more information will be coming out on health care costs and cost containment. He also mentioned that he had written to Lyle Farmer of the St. Paul Teachers' Retirement System for information as to how they finance cost of living increase.

Actuarial services for 1985-1987 was next considered. The Executive Secretary said the bill to exempt the actuary from the consulting services requirement had passed and was signed by the Governor on March 29. The bill has an effective date of October 1, 1985 and our contract expires on July 1. Since the law gives the Board the authority to select an actuary, the Board could contract on a month to month basis, until October 1, and then consider a contract for the remainder of the biennium. The Board also has the right to go through the bid process, as it did two years ago. The private consultant law also provides that preference should be given to someone whose principal business lies principally in Montana and to the best of his knowledge, Hendrickson and Associates is the only actuarial firm that has an actuary in his office, within the State of Montana. The Executive Secretary said if the Board is satisfied with the current actuary's service and cost, they could simply renew the contract on a month to month basis until October 1. The Board would have to approve any contract submitted. Mr. Burke moved that we contract with Hendrickson and Associates on a month to month basis until October 1, 1989. Mr. Corbin seconded the motion. With Chairman Ryan voting aye, the motion carried unanimously.

Chairman Ryan said the next order of business was interest rates for fiscal year 1986. The Executive Secretary said the Board is responsible for setting interest rates for regular member accounts, as well as the tax shelter program. Currently, the rates are 8% for the member accounts and 9% for the tax sheltered accounts. He said he visited with the actuary, Alton

203

Hendrickson regarding the interest rates and that he said in view of current market conditions, there is really no reason to raise the rates at this time. He felt the Board might want to look at the tax deferred rate, as it may be a little high in comparison with other funds. The Executive Secretary said that it would be his recommendation that there be no increase on the regular contribution and the Board should review the tax shelter rate of 9%. After some discussion as to how rates compared in other sectors, Mr. Corbin moved that the interest rates remain the same. Mr. Meske seconded the motion and with Chairman Ryan voting aye, it carried unanimously.

House Bill #270, a copy of which was then passed to each board member was the next item of business. The bill is to appoint a select legislative committee on health insurance for retired public employees and appropriating funds for the committee's use. The Executive Secretary said that at a hearing on this bill, he was asked by Representative Marks as to whether the Teachers' Retirement System would participate in the funding of this committee and he replied that it would be up to the Teachers' Retirement Board. The study could have some positive results for our retired teachers. The Executive Secretary said that possibly the Minnie Fullam Fund could be used to assist in the financing, since it would fulfill the intent of the bequest. Chairman Ryan said he feels they are on the right track as health insurance costs for retirees is increasing, due to raising the deductibles and also the premiums. Mr. Corbin moved that we use \$5,000 of the Minnie Fullam Fund for House Bill 270. The motion was seconded by Mr. Burke. After some discussion, the question was called and with Chairman Ryan voting aye, the motion carried unanimously.

The next item of business had to do with the definition of full-time and part-time service and the Executive Secretary said that in rewriting the handbook and recalling the problems raised by Mrs. Bowman in her case with the Board, as to what constitutes a full month and that the handbook was not clear, there are some problems. He added that we do not define what constitutes a full-month and also for someone who works less than 9 full months, service is credited on the basis of number of days worked to 180. He said a case just occurred where a member died with less than 9 full months, but in computing working days for which he was paid, he actually had more than 180 days. The problem is not with the classroom teacher who works 9-10 months, but with those people who work on a 12 month contracts, and he was having difficulty writing an acceptable change to the information in the handbook. Mr. Burke asked whether other retirement systems have this problem? The Executive Secretary said that some of the others are more specific in their laws, as to what constitutes a full year and how part-time service is credited. After some discussion as to the printing deadline for the new handbook, Mr. Meske moved that we leave the language as is in the handbook and we pursue a study of what other retirement systems are doing. Mr. Burke

seconded the motion. The motion, with the Chairman voting aye, carried unanimously.

Regular retirements and survivor benefits were next reviewed. Mr. Burke moved that the regular retirements and survivors be accepted. Mr. Meske seconded the motion and with Chairman Ryan voting aye, the motion carried unanimously.

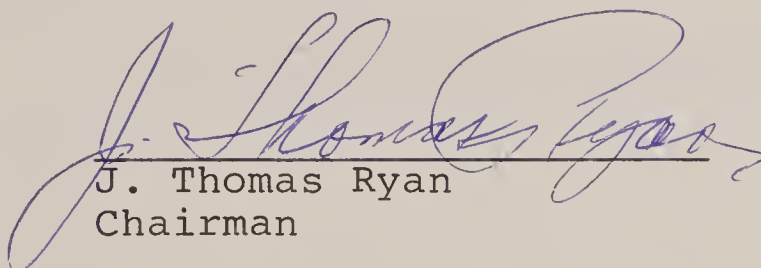
Disability applications were next considered and the Executive Secretary said that disability members are required to undergo a disability review, each year for the first 5 years of their retirement and then every 3 years, until they attain the age of 60. The office recently received a letter from a Doctor See regarding Lorraine Morton. The Executive Secretary passed the letter around and noted the last sentence in the letter indicated Mrs. Morton was able to resume classroom teaching. In reading the narrative, the Board was confused in that the narrative explained her physical status, which indicated continued disability, but the last sentence indicated she was able to return to teaching. The Executive Secretary passed out a copy of the law which covers members who are disabled and then declared eligible to resume their former duties. Mr. Burke said the law was pretty clear as to what action we should take. After some discussion, the Board directed the Executive Secretary to write the doctor for clarification and if the reply is that she is able to resume her teaching duties, that Mrs. Morton be advised that if she could submit additional supporting testimony, that she is disabled it would be submitted to the Board at their next meeting, on a motion by Mr. Burke. Mr. Corbin seconded the motion and it carried unanimously.

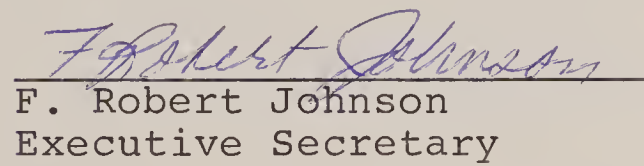
The disability application for Gene Bernard Jones, age 56, 24 years of creditable service from Thompson Falls was considered. After reviewing the physicians statement and letter from the employer, Mr. Burke moved that the disability application be approved. Mr. Meske seconded the motion and with Chairman Ryan voting aye, the motion carried unanimously.

The final disability application was from Neil Perkins, Billings who was currently on a leave from the school district. The Executive Secretary said, if approved, the disability would be effective the first of the month, following termination of the leave agreement. Mr. Meske moved the application be approved. Mr. Corbin seconded the motion. With the Chairman voting aye, the motion carried unanimously.

The Board then next reviewed the possible dates for the next meeting and August 2, in Helena was agreed upon.

Mr. Burke then moved that the meeting be adjourned. Mr. Corbin seconded the motion and with the Chairman voting aye, the motion passed unanimously.


J. Thomas Ryan
Chairman


F. Robert Johnson
Executive Secretary

RETIREMENT LISTINGRETIREMENT APPLICATIONS - FEBRUARY, 1985

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Blyth, Peggy Lee	Cascade	32.13	\$1,325.47	61
Bossard, Floyd C. (Retro to 10-01-81)	V.R.	9.14	176.49	52
Eastlick, Kenneth R.	V.R.	11.75	117.50	60
Gill, Gladys (Retro to 01-01-85)	Blaine	26.22	770.07	62
Jones, Claude Vergil (Retro to 07-01-81)	V.R.	13.25	120.86	55
Kleinhans, Deane W.	V.R.	16.08	145.52	59
Martinsen, Roy (Retro to 01-01-85)	Big Horn	38.19	1,874.51	64
Rohrer, Charles C.	Yellowstone	34.01	1,681.78	58
Sather, Theresa M. (Retro to 01-01-85)	V.R.	7.28	64.70	60
Stevens, Betty W.	Flathead	18.72	341.71	58

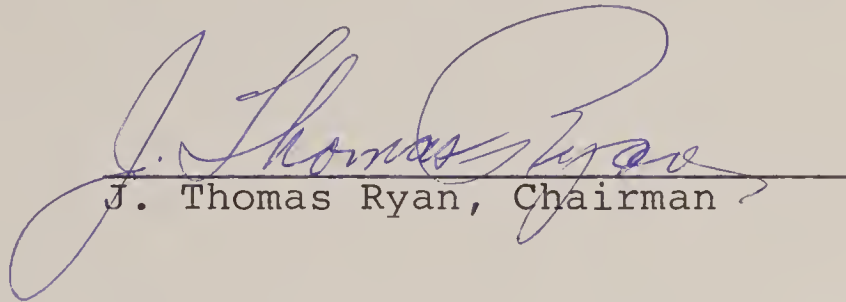
SURVIVOR APPLICATIONS - FEBRUARY, 1985

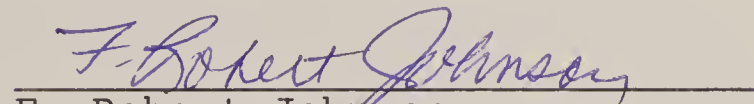
Skillestad, Sharon A. (Survivor of Kenneth P. Skillestad)	Dawson	25.43	835.83	47 50
Wheelon, Carolyn Sowell (Survivor of Larry E. Sowell Retro to 11-01-82)	M.S.U.	16.11	502.13	45 48

RETIREMENT APPLICATIONS - MARCH, 1985

Crebo, Barbara B.	St. Dept.	26.62	1,266.44	62
Christensen, Mary Agnes	Yellowstone	34.56	1,383.01	68
Cunningham, Bruce B. (Retro to 10-01-81)	V.R.	20.00	362.55	52
Geis, Mary B. (Retro to 02-01-85)	V.R.	7.78	77.80	60
Linne, Dorothy J.	V.R.	10.00	142.33	60

The Teachers' Retirement Board approved these applications
for retirement this 2nd day of August, 1985.


J. Thomas Ryan, Chairman


F. Robert Johnson
Executive Secretary

EXECUTIVE SECRETARY'S REPORTAugust 2, 1985

On the day this report was written we had received 248 retirement applications as compared to 239 a year ago and 265 in 1983. The number retiring has been fairly consistent since the 25 year retirement law passed and the law has had a definite impact on the number retiring before the 25 years retirement law or prior to 1983. It is difficult to say that the 25 year retirement is responsible for the increased number of retirees or whether it is the retirement incentive which is the motivating factor. Possibly, it is a combination of the two. For example, in Cascade County we had 49 applications and in Yellowstone County, 45. Normally the total for the two does not exceed 25, and both the large districts within the counties offered retirement incentives.

Dan Morton, Accounting Clerk resigned on April 10 and Marie McMurray was hired to fill the position. Mrs. McMurray was working with the Personnel Division prior to accepting the accounting clerk's job and had refund experience in that job, which is the prime responsibility of her new position.

On May 14 I traveled to Bozeman to give a presentation to members attending a pre-retirement training program given by MSU and on May 29, Mary went to Missoula to give 2 presentations to interested employees of the University of Montana.

Our new computer system study is back in full swing again and several of our staff have attended a training session to familiarize them with the terminals they will be working with under the new system. Our new employees, Jana Umfleet and Marie McMurray attended a sexual harassment workshop, attendance of which is mandated by the Governor's Office. On July 22, I attended a four hour training session on performance appraisal. This session was for administrators within the Department of Administration and will be offered to supervisors of the various divisions of the Department of Administration.

On July 23, Chairman Ryan, Bill Kearns and myself attended a meeting chaired by Gene Huntington of the Governor's Office to see whether the State of Montana would be receptive to purchasing annuities from insurance companies as a way to finance present or future liabilities and possibly reduce costs of these benefits by locking into a fixed interest rate, which is higher than that assumed by our actuary. If this could be done, they claim a costs savings might result. The meeting was also attended by representatives of PERD, Dave Hunter, Budget Director and Ellen Feaver and Dave Ashley from the Department of Administration.

EXECUTIVE SECRETARY'S REPORT - Continued
August 2, 1985

The result of the meeting was that further study needed to be done and the two retirement boards should discuss the matter to see whether they thought it was worth pursuing. The meeting and discussion thereof is an item on the agenda.

We have been advised that our renters will be moving to the new Natural Resources Building when it is completed, sometime in November. The Architecture and Engineering Division needs more space than we have to offer, therefore, we will be looking for a new lessee at that time. The carpet in the rented portion is in need of replacement and when the premises are vacated, would be an ideal time to get that job done. I don't anticipate any problems renting the space in view of the facility and location. If we rent to a state agency, we are exempt from paying property tax on the building. We have had a few feelers from other agencies but nothing firm so far.

210

TEACHERS' RETIREMENT BOARD MEETING

August 2, 1985

The meeting was called to order at 9:40 a.m. by Chairman Ryan. Those in attendance were:

Chairman J. Thomas Ryan
LeRoy Corbin
J. William Kearns, Jr.
Kenneth M. Meske
Mary L. Andridge
F. Robert Johnson
Rick Bartos - Office of Public Instruction
Representing Edward F. Argenbright
Beda Lovitt - Attorney, Department of Administration

It was noted that James Burke was absent due to being out of the State.

Chairman Ryan opened the meeting by saying he had a request from Ronald Nistler, Principal of Billings West High School to expedite consideration of the disability application for a Robert Smith from Billings, therefore, the order of the agenda would be changed slightly to allow this request. The Board then reviewed the application of Mr. Smith and the attending physician's statement of Mr. Smith's condition. Mr. Corbin then moved for approval of the disability and Mr. Kearns seconded the motion. With Chairman Ryan voting aye, the motion carried unanimously. Chairman Ryan then asked the Executive Secretary to call Mr. Nistler and advise him of the Board's decision.

Discussion then centered around the possibility of having conference calls to settle issues that require immediate attention. After some discussion of what could be done, the Board asked the Executive Secretary to look into ways of improving that type of situation.

Order of business then reverted to the agenda and the approval of minutes of the meeting of April 12, 1985. Mr. Meske moved that the minutes be approved. Mr. Corbin seconded the motion. With Chairman Ryan voting aye, the motion carried unanimously.

Financial statements, budget report and investment report were the next order of business. Mr. Corbin noted that the investment yields on mortgages seemed to be higher than corporate bonds and since the majority of our holdings is in corporate bonds, he asked Mr. Kearns who is now a member of the Board of Investments whether there would be a change in policy. Mr. Kearns said the big change is going to be the "Prudent Expert Rule" from the "Prudent Man Rule" and that Mr. Howeth of the Board of Investments would be considered a "Prudent Expert" which would give Mr. Howeth more latitude and place more responsibility

on the Board of Investments. Mr. Kearns said the position of the Board of Investments is that they do whatever is in the best interest of the retirement system regardless of political and social attitudes. Discussion went on regarding the mortgage offering process and other ways in which money could be invested to help the State of Montana. Mrs. Andridge then gave a report on the status of mortgages 7 months or more in arrears. Discussion went to the budget and Mr. Corbin expressed concern about the surplus. The Executive Secretary said that "contracted services" represents the major part of the surplus and that would be accrued for in the computer system. Mr. Kearns then questioned the investment in the Board of Economic Development, as to whether this was a sound investment for the Teachers' Retirement System. Mr. Corbin then moved that the Executive Secretary write Mr. Howeth to provide the Board with the reasoning in the investment. Mr. Meske seconded the motion and with the Chairman voting aye, the motion carried unanimously. Mr. Corbin then moved that the financial statements, budget report and investment report be approved. Mr. Kearns seconded the motion. The motion carried unanimously including the Chairman's affirmative vote.

The next item of business was the Executive Secretary's Report and Chairman Ryan asked for the Executive Secretary's Comments. Each item was discussed. The Board discussed the tenant situation and the fact that we want to do whatever is necessary to keep the rental quarters desirable. Mr. Kearns moved that the Executive Secretary do whatever is necessary to make the facility rentable. Mr. Corbin seconded the motion. The Executive Secretary mentioned that the rent per square foot is high compared to other rent, but the Board felt that the rent was competitive for the facility and location offered and that it should remain where it is. The question was then called and with the Chairman voting yes, the motion carried unanimously. Mr. Kearns then moved for adoption of the Executive Secretary's report. Mr. Corbin seconded the motion and with the Chairman voting aye, the motion passed unanimously.

The opinion from the Legal Services Division of the Attorney General's Office regarding Mervin Finstad was next considered. The Executive Secretary said that at the January meeting, Mr. Finstad had written a letter to the Board requesting a withdrawal of previous membership service, which he later repaid. It was the Board's opinion that the law precluded this, but asked for a legal opinion on the matter and the Legal Services Division of the Attorney General's Office was now submitting that opinion to the Board and that it confirmed what the Board had originally stated. Mr. Meske asked if we had received any reaction from Mr. Finstad and the Executive Secretary said that we had written Mr. Finstad advising him of the opinion and that he could appeal the decision through the administrative rules process or take other legal action and we had not received a reply. The question as to whether we should allow a member to withdraw voluntary contributions for the purchase of out-of-state, military service etc.,

was then addressed. The Executive Secretary said there is no contract between the System and the member when an individual decides to purchase service and it is up to the member as to how they want this paid. Mr. Bartos mentioned that he was surprised that there was no citation as to the law governing the basis for the opinion. Mr. Meske said he did not think the voluntary contributions should be available in the form of a refund. Mr. Corbin mentioned that the member is not given credit for any service until the full amount has been paid. Mr. Meske suggested we write a contract so that they know what they are doing when they start buying the service. Mr. Meske then moved that we develop a new procedure between now and the next meeting. Mr. Kearns seconded the motion and it carried unanimously with Chairman Ryan voting yes.

The Executive Secretary then said that Rick Bartos had called yesterday and that he was prepared to discuss the case of Mary Louise Hartwig. This was a case discussed by the Board at their January meeting and had asked for legal assistance. Mrs. Hartwig was allowed to purchase service of another member with a similar name, as well as working in the same county and city. Mrs. Hartwig retired July 1, 1984 and her benefit included the erroneous service. The question was whether the Board could now take away the service. Mr. Bartos said the Executive Secretary had cited the Gardiner Cromwell case as being similar and he summarized that case and the court's findings. The case referred to in the court's decision was the case of Barker vs. Stevensville and that the case stated that you cannot rely on the agent or officer of a municipality and you can't hold that agency firm on that obligation, but when equity and fairness demands, you take another look at it we're going to balance it out. Mr. Bartos referred to the opinion on page 380 of the case and he handed out copies of the case to everyone present. The basic decision held "that where any danger to the public is slight and a citizen has made a good faith and substantial change in position in reasonable reliance upon the conduct or representation of municipal officials and agents, several courts have stopped the local government, board or whatever it might be from exercising their "police power" in a way inconsistent with this prior representations or actions". In the Hartwig case, justice is done by allowing her to maintain that service credit. Even though the Board does have some discretion under the law to disallow credit, it would be his opinion that Mrs. Hartwig would have a case and a good chance the Board would lose it. After some discussion Mr. Kearns moved that the recommendation of Mr. Bartos be accepted and we not take away the service credit. Mr. Meske seconded the motion. Beda Lovitt said that the PERD has been involved in similar cases and the outcome is you have to live with the error since the member relies on that information. The question was then called and with the Chairman voting aye, the motion carried unanimously.

Chairman Ryan noted that the next item was the consideration of a rule draft for House Bill #298. The Executive Secretary said that under House Bill #298, a retired member can now change a beneficiary as the result of death or divorce. He added that he had written a letter to Beda Lovitt asking whether she thought a rule was necessary and her opinion was that it was. The proposed rule was not complete but was the "meat" of the proposal and he was simply asking the Board to review it for substance. It would then be refined and reviewed by Ms. Lovitt for final drafting (copy attached). A copy of the application form was also enclosed. Mr. Kearns moved that we adopt the proposed rule and application form. Mr. Corbin seconded the motion. Discussion then followed as to the procedure to be followed to finalize the rule. Mr. Kearns then called for the question. The motion passed unanimously with the Chairman's aye vote.

The next item on the agenda was the reporting inconsistencies of School District Number 2, Yellowstone County. The Executive Secretary said this was brought up at the last meeting on a petition by Mrs. Evelyn Easton to allow her to buy service, for which no contributions were received. At this time, Mr. Laurence Martin, Attorney for the Board of Trustees, School District #2, indicated he thought if the Board would take a position and state that position to Dr. Poston that School District #2 would then respond. The Executive Secretary said that as of this date no response had been received and that he had written a follow-up letter dated July 16, 1985. During this time the Board had received a letter from a member who was employed with the MDTA program and for which no contributions were received. The Executive Secretary said that he was simply asking the Board for direction as to the next step. After some discussion, Mr. Corbin moved that the Executive Secretary send copies of the letters to Laurence Martin and the Chairman of the Board of Trustees. Mr. Meske seconded the motion and with the Chairman voting in favor of the motion, it passed unanimously.

The next item of business was a legislative summary and was simply for the Board's information, which was then reviewed and followed by a brief discussion.

New business was the next item of business and Chairman Ryan noted that the discussion of actuarial assumptions was scheduled for 1:30 p.m., therefore, the lease agreement with the Architecture and Engineering Division of the Department of Administration was considered. The Executive Secretary said the only change in the lease agreement from previous years was the clause to have the lease on a month to month basis, since A/E will be moving when the Natural Resources Building is completed. The lease establishes a monthly payment of \$1,445.26, which is on the basis of \$7.59 per square foot with total leased space of 2,285 square feet. Mr. Meske moved for approval of the agreement. Mr. Kearns seconded the motion and with the Chairman voting aye, the motion carried unanimously.

214

The actuarial services contract was next considered and the Executive Secretary said the Board at their meeting in April had approved negotiations with Hendrickson and Associates for the 1985-1987 biennium. The proposal to the Board was for a 3% increase over the previous biennium, which would be a total contract of \$16,645 from the present contract of \$16,160. Beda Lovitt indicated that research had been done to assure that the proper ground was covered to allow negotiations with Hendrickson and Associates. After some discussion, Mr. Meske moved adoption of the contract with Hendrickson and Associates. Mr. Kearns seconded the motion and with the Chairman voting aye, the motion passed unanimously.

Beda Lovitt then advised the Board that she had a 1:00 p.m. appointment and wanted to comment on the employer pickup question which was requested by the Executive Secretary. She said the question is going to require tax expertise and should be addressed by someone with that type of expertise. Discussion then evolved around where we would go to seek an opinion and asking the Internal Revenue Service for a ruling or hiring a consultant was discussed. Ms. Lovitt said it requires someone with expertise of retirement law, as well as tax knowledge. The Board then left it to the discretion of the Executive Secretary.

Mr. Bartos said that he enjoyed the morning session, but would not be able to return for the afternoon session. Mr. Ryan then thanked Mr. Bartos for his input and Ms. Lovitt and Mr. Bartos left the meeting.

The regular retirement and survivor applications were then reviewed. Mr. Kearns moved that the regular retirements and survivor application be approved. Mr. Corbin seconded the motion and with the Chairman voting in the affirmative, the motion passed unanimously.

Disability applications were next considered and Thomas P. Doohan of Bigfork was first considered. Mr. Meske moved that the application be approved. Mr. Kearns seconded the motion with Chairman Ryan voting aye, the motion carried unanimously.

The application of Henry G. Neidhardt of Hamilton was then reviewed. Mr. Corbin moved that the disability be approved. The motion was seconded by Mr. Meske and with Chairman Ryan's aye vote, the motion passed unanimously.

Donald W. Quinn of Libby was the next application considered. After some discussion as to whether the disability applied primarily to coaching or teaching, it was noted that the physician stated his condition was static in regard to teaching duties, but that he is also a P. E. Teacher, which requires physical activity. Mr. Corbin moved that the application be approved. Mr. Kearns seconded the motion with Chairman Ryan voting in favor of the motion it passed unanimously.

The final application was for Kathryn Warner of Rapelje. Mr. Meske moved that the application be approved and Mr. Kearns seconded the motion. Chairman Ryan voted in favor of the motion and it passed unanimously.

The meeting was then recessed for lunch.

At 1:30 p.m. Chairman Ryan called the meeting to order and noted the first item of business was the discussion of actuarial assumptions and that Mr. Hendrickson was here to discuss the assumptions with the Board. The Executive Secretary said that by law the Board has the responsibility to determine the actuarial assumptions and two of the more important assumptions are the interest and salary increases. He added that the other assumptions are also important, but are largely determined by the experience of the System. Currently, the Board is assuming a 7% interest assumption and a 5½% salary assumption. Mr. Hendrickson said that when you are looking at interest and salary assumptions, you really have to look at the future. The concern, is possibly the present assumptions may be a little conservative compared to what we really expect will happen. He said we have been using the current assumptions since 1977 and it is time to review them. Mr. Hendrickson said his firm would like to see an increase in the interest rate because they feel it should be higher than 7%, but we are very reluctant to say that just because now there is a wide gap between interest rates and inflation, that that will continue in the future. Mr. Hendrickson then reviewed the experience of the system in terms of salary growth, membership growth and increases in the assets since 1971. Mr. Hendrickson explained that when you increase the interest assumption you save costs on your active members and on your retired members. When you increase the cost of living you increase the cost to your active members, but since there is no built-in cost-of-living for retired members, there is no increase cost on that group, so the net result is the Teachers' Retirement System will look better financially. He said he thought it would be irresponsible to go more than a 1% increase with interest rates dropping but with the current investments especially those of a long term nature, it is highly unlikely the investment return would fall below 8%. Mr. Hendrickson went on to say that he would like to show the Board some results using different assumptions. After some further discussion, the Board directed Mr. Hendrickson to provide the figures he has recommended, 8% interest assumption and a 6½% salary assumption when he is able to gather all of the information. Mr. Hendrickson then left the meeting.

Chairman Ryan noted that Robert Van Woert was next on the agenda and asked the Executive Secretary for comments about the case. The Executive Secretary said Robert Van Woert was employed by MSU until December 1979 with 21.42 years of service. He wasn't of retirement age at the time of termination and left his contributions on deposit. At the time he terminated he received termination pay and at that time termination pay was added to the

last years salary in the calculation of benefits and contributions were remitted by the employer on the basis of the law at that time. In 1981 the law was changed and the three options came into being. Mr. Van Woert was eligible for retirement on March 1, 1982 and the question is, which law does his termination pay fall under. Mr. Van Woert would like to elect option I, but in conversation with MSU they have balked at paying the additional contributions. Mr. Corbin moved that we write MSU asking for the contributions and if they refuse, refer the matter to legal counsel. Mr. Kearns seconded the motion. With Chairman Ryan voting aye, the motion passed unanimously.

The meeting with Tandem Benefits Group was next considered. The Executive Secretary said that Chairman Ryan, Mr. Kearns and he had attended a meeting with representatives from Tandem Benefits Group. The meeting was called by Gene Huntington of the Governor's Office and Ellen Feaver, Director and Dave Ashley, Deputy Director of the Department of Administration, David Hunter, Budget Director, Doug Booker, Budget Analyst, John Prebil and Larry Nachtsheim, from PERD and Joe Reber of the Board of Investments were also present. Tandem Benefit Group is interested in selling the retirement systems annuities and their selling point is that we are assuming 8% on earnings, therefore, they are proposing that we commit a certain portion of our assets and lock these assets in at a higher rate to finance a certain portion of our member's future benefits. By doing this, they say costs can be reduced. It would necessitate a study by taking an actuarial tape and looking at the active and retired members. Mr. Kearns said that if you lock in a portion of your assets at a certain rate, and if interest rates go up, it was a poor investment, but if interest rates go down, it was a good idea. The Executive Secretary said he discussed it with Alton Hendrickson and he said the assumed interest rate should have nothing to do with it, rather it should be the investment return. A study as proposed would cost from \$20,000 to \$25,000. The consensus of the meeting was to take it to the Retirement Boards to see whether they want to pursue the idea. Chairman Ryan said that Mr. Huntington and Mrs. Feaver were going to do further study and Mr. Kearns felt it never hurts to look at alternatives. The Executive Secretary then handed out a list of companies that have done this and it was noted all of the companies were from the private sector. The Executive Secretary said that currently investments in annuities are illegal, but when the "Prudent Expect Rule" goes into effect on October 1, they will be legal. Mr. Kearns said we should get some more information, as long as we don't commit any money to a study. Mr. Kearns then moved that the issue be given further study as long as no funds have to be expended at this point. Mr. Corbin seconded the motion. Chairman Ryan voted with the motion and it passed unanimously.

The next item of business was the letter to Chairman Ryan from Dexter Roberts, in which he was requesting a waiver of the interest charged on the purchase of service. Mr. Roberts contended that correspondence from this office was negligent in not

advising him properly of the cost or the additional interest that would be charged on June 30, 1985, Mr. Kearns said he felt the information was there and the Executive Secretary said that he had written a letter in July 1984 advising him of the cost and Mary Andridge referred to that letter in her correspondence in April, therefore, the individual would have to realize there would be more than 12 days interest accrued during that time. Considerable attention was devoted to Mr. Robert's letter as well as the correspondence from this office. Mr. Meske said the only thing that crossed his mind was that we could have advised him of the additional interest that would accrue on June 30. Mr. Corbin added that if you read the letter carefully, everything is there but a sentence could have been added to advise him of the interest after June 30. Further discussion ensued and the fact that a dangerous precedent could be set if we waived the interest. Mr. Meske moved that we do not refund the interest. Mr. Corbin seconded the motion. With Mr. Meske, Mr. Corbin and Mr. Kearns voting aye and Chairman Ryan voting no the motion failed, Chairman Ryan suggested the issue be tabled until a full board was present. Mr. Meske then moved that it be delayed until the next board meeting. Mr. Kearns seconded the motion and with the Chairman voting in favor of the motion, it passed unanimously. Mr. Corbin then moved that we extend an invitation to Mr. Roberts to attend the next board meeting. Mr. Meske seconded the motion and with Chairman Ryan voting in support, the motion passed unanimously.

The next meeting date was then discussed and it was decided to have a public meeting in Missoula on October 10, 1985 and the board meeting on October 11, 1985.

The final item on the agenda was the reorganization of the Board. Mr. Meske nominated Mr. Kearns as Chairman. Mr. Corbin then moved that nominations be closed and Mr. Meske seconded the motion. The entire Board voted for Mr. Kearns as Chairman. Mr. Kearns then moved that Mr. Meske serve as Vice Chairman. Mr. Corbin seconded the motion. With the Chairman voting aye, the motion carried unanimously.

Mr. Kearns then moved that the meeting be adjourned. Mr. Corbin seconded the motion and it passed unanimously.

RETIREMENT LISTINGRETIREMENT APPLICATIONS - APRIL, 1985

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Day, Alfred L.	MSU	37.75	\$2,237.29	62
Hull, Maurice W.	MSU	24.08	743.95	63
Johnson, Virginia L. Retro to 05-01-80	V.R.	17.00	136.79	55
Motsch, Robert L.	MSU	25.22	1,102.47	49
Osgood, Helen S. Retro to 11-01-84	V.R.	10.00	60.50	57
Pearson, Edna Mae Retro to 11-01-78	V.R.	7.00	45.37	55
Wohlin, G. Evelyn Retro to 10-01-84	V.R.	5.11	47.07	50

SURVIVOR APPLICATIONS - APRIL, 1985

Rate, Adele W. Survivor of Richard T. Rate	Lake	20.89	1,097.54	41 43
---	------	-------	----------	----------

RETIREMENT APPLICATIONS - MAY, 1985

Bye, Charlotte, D. Retro to 07-01-83	V.R.	16.00	134.50	60
Lieske, Marvin G.	Yellowstone	36.25	1,661.77	5
Seright, Orval R. Retro to 01-01-81	V.R.	19.00	134.93	6
Sievert, Naida J. Retro to 03-01-83	V.R.	22.56	375.70	50
Sizer, Robert F.	V.R.	11.10	192.07	60
Pust, Arline Retro to 10-01-81	V.R.	14.56	169.12	55
VanWoert, Robert A. Retro to 03-01-82	V.R.	21.42	513.67	50

RETIREMENT APPLICATIONS - JUNE, 1985

Beaty, Chester B.	V.R.	14.00	\$ 265.07	60
Larson, Patricia J. Retro to 09-01-84	V.R.	12.90	236.97	50
Lohman, Evelyn A. Retro to 07-01-83	V.R.	21.00	473.70	50
Lohman, Thomas Retro to 07-01-83	V.R.	19.75	288.46	51
Roeder, Richard B. Retro to 05-01-85	MSU	25.84	1,250.82	55
Sikorski, Frances Retro to 07-01-71	V.R.	11.66	65.59	64
Wilson, Helen E. Retro to 05-01-85	EMC	32.50	1,636.65	6

SURVIVOR APPLICATIONS - JUNE, 1985

Iverson, Berniece E. Survivor of Walter Iverson	V.R.	20.08	229.39	57 58
--	------	-------	--------	----------

RETIREMENT LISTINGRETIREMENT APPLICATIONS - JULY, 1985

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Alley, Jack R.	Missoula	10.97	\$ 308.11	67
Anderson, Arlyne E.	Custer	30.00	1,071.37	56
Anderson, Fred M.	Dawson	27.75	1,146.28	51
Atkins, A. June	Powell	31.89	1,377.02	55
Baker, Alyce M.	Cascade	43.00	1,208.84	63
Baker, Curtis L.	Gallatin	26.00	1,022.15	48
Barth, Glenn R.	U of M	27.83	1,295.79	59
Banaugh, Robert P.	U of M	33.67	1,876.97	63
Bandy, Mildred	Missoula	34.00	1,057.58	64
Barkley, Margaret M.	MSU	36.22	2,535.16	65
Barth, Glenn R.	U of M	27.83	1,375.23	59
Baugh, Nearine M.	Flathead	17.36	532.48	58
Beadle, Mary Lou	Musselshell	36.00	988.59	57
Before, Marilyn A.	Cascade	15.56	305.15	52
Beneventi, Mary L.	Lewis & Clark	27.22	1,166.46	62
Bennett, Byron J.	MSU	37.25	2,588.87	65
Berg, Lyle L.	U of M	34.67	1,762.41	59
Bergene, James D.	Cascade	31.00	2,174.06	52
Blomgren, Paul B.	U of M	26.33	1,667.57	65
Boggs, Betty Jo	Cascade	30.00	1,250.33	57
Bolten, John R.	Fergus	29.56	996.93	57
Bren, Bernice	McCone	24.00	766.66	66
Britton, Michael P.	V. R.	18.92	387.12	60
Brown, Audrey M.	Pondera	15.00	417.72	62
Browning, Peggy J.	Cascade	17.00	637.16	65
Bukvich, Rosanne H.	Silver Bow	39.24	1,445.65	65
Bundy, Ted C.	Yellowstone	9.00	251.50	66
Buley, Charles A.	Cascade	34.75	1,375.30	61
Burnett, Darwin E.	Gallatin	29.00	772.15	56
Bushnell, Lowell R.	Yellowstone	33.08	1,369.89	63
Byrne, Lila M.	Cascade	24.98	848.15	55
Callen, Joseph F.	Yellowstone	40.08	1,966.87	63
Carlson, Marge R.	Teton	28.00	799.65	57
Chaney, Robert B. Jr.	U of M	28.44	1,335.64	53
Chestnutt, Hebe	Cascade	14.56	413.86	63
Christensen, Don H.	Yellowstone	29.00	1,027.94	55
Cohn, Betty C.	Lewis & Clark	28.85	906.36	55
Connor, James W.	Yellowstone	25.58	901.30	59
Cornish, John M.	Park	32.78	715.58	62
Casgriff, Kathleen	Cascade	41.00	1,745.60	63
Cuch, Elsie Jane	Yellowstone	29.67	1,374.87	56
Cowell, Ethel	Blaine	26.55	683.19	62
Cox, Henry S.	Yellowstone	31.78	1,272.85	62
Cox, James W.	U of M	31.45	1,657.12	56

RETIREMENT LISTING (CONTINUED)RETIREMENT APPLICATIONS - JULY, 1985

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Dahlstrom, Dorothy M.	Fergus	20.10	611.99	65
Davison, Gene M.	Choteau	38.67	1,127.37	67
Dean, Dale D.	Meagher	26.00	713.67	50
Demko, John	Yellowstone	30.00	1,151.65	54
Denny, Gertrude D.	Big Horn	18.00	579.26	67
Dillabough, Robert E.	Cascade	29.17	1,270.38	53
Douthitt, Doris	Cascade	33.78	1,189.71	60
Dowler, Richard	Flathead	25.00	1,014.27	49
Driscoll, Belva L.	Cascade	33.44	1,415.31	54
Duvall, Betty Jean	Cascade	26.33	1,192.54	53
Eakman, Herb C.	Yellowstone	33.78	1,558.43	57
Easton, Don L.	Yellowstone	36.50	2,099.29	57
Fahn, Joseph J.	Liberty	33.00	1,545.76	59
Eliason, Neil H.	MSU	31.00	1,221.29	53
Ellison, Jean B.	Meagher	27.50	543.57	66
El-Negoumy, Abdel M.	MSU	27.00	1,423.13	65
Engleking, Marjorie A.	Yellowstone	14.56	422.32	62
English, Joyce M.	Valley	30.10	882.24	51
Erickson, Erick K.	Yellowstone	33.33	1,519.42	61
Eschler, James P.	Yellowstone	27.57	1,577.87	50
Evans, Richard G.	Ravalli	30.00	739.69	54
Evenson, O. Ronald	Cascade	26.90	775.46	54
Fahn, Joseph J.	Liberty	33.00	1,545.76	59
Febach, Marjorie	Cascade	29.45	1,027.57	55
Ferguson, Walter A.	Powder River	28.00	1,094.16	51
Fitzpatrick, Natalie S.	Yellowstone	19.70	667.60	65
Fleming, Anna Mae	Cascade	13.77	382.79	66
Fordahl, Evelyn L.	Cascade	29.03	1,063.79	53
Forkin, Doris C.	Flathead	33.67	1,366.02	63
Fox, William B.	Yellowstone	37.33	1,849.69	60
Fredrickson, Emma Lou	Flathead	29.56	1,092.03	62
Frette, Margaret S.	Missoula	34.00	1,392.75	56
Gadbow, Margaret J.	Missoula	26.50	1,116.82	61
Ganson, Janet	Yellowstone	28.00	1,167.62	52
Gilmore, Doris E.	Yellowstone	28.56	1,028.72	54
Gish, Lyman E.	Missoula	27.44	1,335.92	50
Gjerde, Beverly G.	Yellowstone	33.50	1,870.72	56
Glass, Elizabeth K.	Lewis & Clark	15.00	277.78	66
Gogas, George J.	Missoula	31.60	1,428.76	56
Graham, Donald R.	MSU	26.88	1,557.91	50
Green, William Lee	Glacier	26.00	932.76	53
Groschupf, Irene P.	Flathead	31.22	1,043.67	54
Grosse, Otto H.	Cascade	36.00	1,558.09	61
Gusaas, Howard J.	Cascade	26.92	1,125.98	51
Gustafson, William F.	Deer Lodge	31.61	1,100.12	55

RETIREMENT LISTING (CONTINUED)

RETIREMENT APPLICATIONS - JULY, 1985

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Gustin, Margaret	Gallatin	16.89	544.12	58
Hahn, Bert W.	Yellowstone	25.50	569.89	57
Hall, M. Imogen	Lewis & Clark	29.00	933.54	65
Hanson, Doris L.	Hill	26.16	826.32	64
Hanson, Lorraine A.	Toole	35.00	1,216.88	60
Harasymczuk, John	Custer	36.59	1,438.56	59
Harper, Edith	Sweet Grass	37.39	752.34	63
Hartse, Norma M.	Custer	23.00	677.22	58
Hawthorne, Zillahn	Madison	30.67	747.84	67
Henn, August L.	Glacier	22.28	552.89	63
Henn, Margaret	Glacier	16.00	401.30	60
Henry, Ken W.	Lewis & Clark	25.08	1,056.96	62
Herseim, Amil R.	Jefferson	24.25	678.17	60
Hiett, Edna F.				
Hill, Lois Herrett	Cascade	19.00	707.91	65
Hitch, Patricia M.	Judith Basin	17.00	497.83	62
Hoffman, Samuel L.	Gallatin	29.58	979.70	56
Hoffman, Lorraine K.	Flathead	28.44	914.60	68
Holt, W. Margaret	Lewis & Clark	32.00	1,171.53	65
Hopper, Francis S.	Cascade	18.00	601.07	65
Hunt, Ivan R.	Cascade	35.08	1,361.22	59
Jackson, Frances	Cascade	26.00	1,349.92	59
Jahnke, Richard A.	Cascade	27.00	899.94	53
Jesswein, Paul F.	MSU	35.42	2,057.88	60
Jewell, Edwin W.	Lincoln	32.00	1,464.89	54
Johnson, Claryce	Flathead	30.00	1,250.35	64
Johnson, Dale A.	Cascade	33.42	1,609.77	57
Johnson, Loren A.	Teton	25.00	624.57	46
Jordan, Evan P.	EMC	24.00	1,028.44	61
Kardell, Lloyd V.	Wheatland	26.83	834.64	51
Kelly, Margaret R.	Yellowstone	26.00	806.85	66
King, Lawrence R.	Cascade	28.83	1,225.75	53
King, Walter Neil	U of M	34.00	1,622.18	66
Kleppe, Ellenor M.	Yellowstone	45.00	1,585.56	64
Knebel, Edward W.	Yellowstone	42.83	2,225.38	63
Koetter, John W.	Cascade	31.00	1,550.14	61
Kosteczko, Veryl B.	Ravalli	30.00	937.20	56
Kranick, John U.	Cascade	39.16	2,776.61	63
Krimmer, Walter J.	Yellowstone	38.25	1,310.15	58
Kroon, Ralph V.	Beaverhead	28.00	1,388.44	50
Laeger, Marvin R.	Park	25.00	1,078.83	49
Person, Harvey A.	MSU	40.42	3,249.87	62
Person, Wallace A.	Pondera	29.90	1,077.73	54
Blanc, Robert E.	Lincoln	31.83	1,118.60	57
Lewis, George D.	U of M	35.50	1,464.99	58

RETIREMENT LISTING (CONTINUED)

RETIREMENT APPLICATIONS - JULY, 1985

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Lies, Michael F.	Lake	27.92	948.70	53
Lillis, Janet M.	Yellowstone	22.00	784.06	64
Lindstrand, Phyllis C.	Silver Bow	30.00	1,207.64	58
Mackay, Janey Lu	Cascade	32.56	1,057.00	66
Main, Frances E.	Carbon	18.00	398.34	53
Mares, Celeste L.	Yellowstone	19.89	433.66	55
Mares, Timothy R.	Yellowstone	31.00	1,590.79	56
Mars, Ann M.	Yellowstone	15.00	443.52	59
Martin, David W.	Yellowstone	26.83	1,002.58	53
Masser, Roberta M.	Yellowstone	31.00	1,362.30	52
Matthew, Dorothy I.	Deer Lodge	25.10	797.27	57
Mattingly, Altha L.	Cascade	24.44	816.46	55
Mattson, Ronald B.	Fergus	37.17	2,174.03	61
McAfee, Dora	Hill	21.00	756.20	60
McAllister, Joyce M.	Cascade	34.33	1,212.32	59
McCallum, Carl W.	Granite	21.09	1,062.00	62
McDonald, Aletha B.	Yellowstone	44.89	1,579.61	65
McDonald, Robert G.	McCone	35.92	1,357.14	59
McFeely, Franklin S.	MSU	31.67	966.34	60
McGreevey, Virginia	MT Tech.	21.00	787.86	69
McLeod, Robert K.	Cascade	30.83	2,053.90	53
McNamee, Robert J.	Deer Lodge	37.83	1,304.82	61
Meland, Anna Lou	Cascade	26.11	870.27	57
Meredith, Ruth E.	Hill	26.78	951.74	61
Meredith, Walter J.	Roosevelt	31.50	1,567.23	56
Messick, C. Thomas	MSU	27.84	1,582.09	51
Mettes, Loris E.	Yellowstone	36.44	1,320.39	63
Mewes, Roland J.	Cascade	37.08	1,311.45	61
Milam, Paul N.	Flathead	32.08	1,242.22	59
Mollander, Dennis S.	Cascade	33.25	974.19	62
Morin, Lois A.	Yellowstone	28.00	962.64	59
Morris, Annamae	Fergus	29.00	980.41	54
Morrison, John A.	Yellowstone	27.83	1,166.10	60
Murdock, Margaret R.	Flathead	39.00	1,303.76	63
Mussulman, Joseph A.	U of M	34.00	1,487.70	57
Neitz, John F.	Yellowstone	35.00	1,299.89	59
Nelson, Robert L.	V. R.	21.58	541.11	59
Neu, Donald P.	Flathead	30.00	1,602.56	55
Newville, Ronald F.	Gallatin	27.83	1,001.78	53
Nielsen, Duane A.	Yellowstone	31.56	1,599.29	53
Nisbet, Freda M.	Cascade	18.00	607.37	63
Noel, Jean L.	Lake	35.00	1,000.05	65
O'Brien, Joan H.	Yellowstone	18.89	671.63	62
Odegard, Marilyn Q.	Yellowstone	35.44	1,411.87	55
Olson, Donald L.	Cascade	30.33	1,413.20	54

RETIREMENT LISTING (CONTINUED)

RETIREMENT APPLICATIONS - JULY, 1985

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Oksenholt, Erling J.	Cascade	34.22	1,331.14	62
Parac, Thomas J.	MSU	30.00	1,908.54	53
Parker, Charles D.	U of M	34.75	2,331.34	61
Parker, C. Frances	Gallatin	25.90	814.08	66
Parker, Jean B.	Ravalli	9.36	227.30	59
Patton, Jack O.	Lewis & Clark	19.50	863.85	62
Payne, Thomas	U of M	40.39	2,248.32	65
Peterson, James R.	Yellowstone	27.00	1,519.86	50
Peterson, Robert L.	U of M	30.17	1,706.77	58
Phillips, Isabel M.	Liberty	20.00	639.53	67
Phillips, Joseph R.	Meagher	27.42	711.56	50
Picton, Ethel T.	Beaverhead	34.16	1,257.38	67
Poehls, Grace H.	Yellowstone	29.00	1,113.65	56
Porter, John W.	Deer Lodge	36.92	1,178.65	59
Preuninger, William M.	Cascade	35.42	1,244.43	59
Rafdal, Gordon H.	Park	25.00	973.56	49
Rankin, Jerome C.	Cascade	12.08	194.65	51
Ratigan, Jean M.	Missoula	23.00	737.20	58
Ratigan, Ann K.	Yellowstone	25.08	985.17	62
Reid, Raymon R.	Blaine	35.75	1,616.59	59
Remington, Harley R.	Flathead	25.00	816.81	52
Reynolds, Mary M.	Lincoln	18.00	679.52	66
Ritchey, John A.	MSU	23.75	1,845.37	66
Robbins, Jean	Flathead	27.89	945.73	62
Rolshoven, William	Missoula	31.98	1,646.08	57
Rose, Williamina	MSU	11.00	404.33	57
Rumely, John H.	MSU	30.58	1,444.91	59
Ryder, Calvin H.	Cascade	33.33	1,879.69	56
Saltmarsh, Floramae	Yellowstone	17.00	656.98	64
Saner, H. Albert	MSU	39.00	1,870.59	65
Scalese, Emily Oakes	Glacier	33.78	1,296.63	64
Schilling, Dorene Y.	Glacier	27.77	987.14	57
Schlenker, Leo C.	Gallatin	25.56	1,066.55	50
Scott, Victor J.	Cascade	33.58	1,598.19	59
Servoss, Marilyn L.	Cascade	34.00	993.45	56
Severtson, Bessie E.	Cascade	16.00	439.17	62
Shaw, Olive	Cascade	21.00	625.61	61
Shiplet, Jacqueline	Park	25.00	904.28	47
Simonsen, Margie E.	Valley	24.50	710.16	63
Sloan, Mary O.	Flathead	27.56	884.83	51
Smith, Inez M.	Choteau	36.00	1,163.65	62
Spinti, Carl I.	Cascade	28.75	1,351.87	51
Steffarud, Orva A.	Flathead	42.00	1,944.48	66
Stetzner, Carl J.	Deer Lodge	27.06	866.93	52
Stompro, Eldon	Cascade	29.00	1,212.95	50
Tadsen, Dorothy R.	Rosebud	37.00	1,317.64	60
Templeton, Marilyn	V. R.	7.96	147.01	53

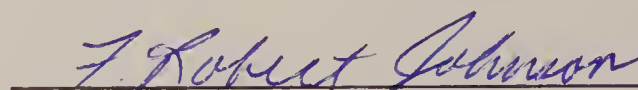
Retro to 07/01/83

RETIREMENT LISTING (CONTINUED)RETIREMENT APPLICATIONS - JULY, 1985

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Thomas, Raymond K.	Cascade	28.17	1,335.02	55
Thomas, Shirley A.	Cascade	29.56	1,119.48	53
Thorson, Marlys B.	Valley	13.00	413.01	59
Tollefson, Berniece	Roosevelt	29.89	1,070.15	53
Townsend, Eugene C.	Cascade	30.00	1,010.68	54
Trites, Beatrice	Valley	43.00	1,788.34	68
Tubman, Kathleen M.	Yellowstone	42.00	1,597.84	60
Tunison, Donna B.	Lincoln	28.56	968.95	55
Vande Kop, Frances	Teton	32.00	1,040.60	55
Voss, Arline	McCone	30.33	775.63	63
Wagner, Hubert H.	Missoula	42.89	1,907.64	66
Wailes, John L.	U of M	34.08	1,491.39	62
Ward, Harriet C.	Yellowstone	20.67	517.85	59
Warne, Harriet J.	Yellowstone	26.89	870.01	60
Wenger, Bernard	Flathead	32.92	1,298.73	54
Wertz, Mary Jo	Park	26.00	648.28	57
West, Ronald D.	Carbon	30.50	1,007.94	59
Wicks, John H.	U of M	25.17	1,243.92	49
Wilson, Clifford V.	Lewis & Clark	29.83	1,002.30	54
Winters, Robert G.	Cascade	30.92	1,302.10	52
Wrightson, Jack H.	Flathead	28.17	1,411.87	63
Yarde, Mildred A.	Teton	30.00	864.39	55
York, Herbert J.	Lake	33.83	1,129.96	59
Zieske, Maida M.	Flathead	31.33	1,271.08	56
Zupan, Robert L.	Yellowstone	34.92	1,809.99	57

The Teachers' Retirement Board approved these applications for retirement
 this 2nd day of August, 1985.


 J. William Kearns, Chairman


 F. Robert Johnson
 Executive Secretary

EXECUTIVE SECRETARY'S REPORTOctober 11, 1985

With the Natural Resources Building nearing completion they have started excavating the parking lot so the staff and visitors must find their own parking for the time being. The estimated time for completion of the new parking lot is three weeks assuming good weather, but that looks like an optimistic projection at this time.

Membership forms, member's statements of account and handbooks of information were sent at the same time again this year. We had our handbooks ready for the printer earlier than ever this year, however, the printer awarded the contract experienced a breakdown in his equipment which assembled the booklet, and he anticipated it would be three weeks before the equipment would be repaired. As a result, Publications and Graphics assumed the job of assembling the remaining 14,000 booklets. The August 15th deadline was not met and we have been getting some feedback from our employers and members that there are pages missing or inserted upside down. Publications and Graphics has agreed to replace any of the mis-assembled booklets but it turned out to be a real mess with the only consolation being a cost savings on the work done by Publications and Graphics.

On the travel side, Mary Andridge went to Chester on September 16 to give a presentation to all of their teachers and we have the MFT and MEA Convention coming up later this month. We are planning to have a table at each conference with someone there to provide forms and answer questions and hoping in this way to make the office more available to the members while they are here in Helena.

The Legislature granted us a full-time position to assist our retired member services area and Mary has been busy writing the job specifications, which were then submitted to the Classification Bureau of Personnel for assignment of grade and position classification. We are currently advertising for the position and it should be filled in about a month. The retired member services areas has seen considerable growth in the responsibilities and duties required because of TEFRA and the fact that we now have over 5,700 retirees and the retired sector requires a lot of attention. We also plan to utilize the position as a back-up to our secretarial position.

The new computer system is running about two months behind schedule primarily because of the switch in system analysts. The on-line programming is expected to be completed by October 18 and testing of the program will then commence. Marjorie Rowley of

233
EXECUTIVE SECRETARY'S REPORT
OCTOBER 11, 1985
PAGE TWO

the office will then be working with the systems analyst on a users manual. The target date of July 1, 1986, will probably not be met from what we know at this time.

One noticeable factor since the 25 year retirement provision passed is the number of people inquiring about the purchase of creditable service and this may be an area where we will have to seek additional help. A reorganization of the office is needed, but we want to wait until we see how the duties and responsibilities will change when the new computer system is implemented before we make any changes.

Executive Secretary Report: Board3

TEACHERS' RETIREMENT BOARD MEETINGOctober 11, 1985

The meeting was called to order at 9:45 a.m., by Chairman Kearns. Those present at the meeting were:

Chairman J. William Kearns, Jr.
Edward F. Argenbright
James E. Burke
LeRoy Corbin
Kenneth Meske
J. Thomas Ryan
Mary Andridge
F. Robert Johnson
Beda Lovitt

Chairman Kearns opened the meeting with consideration of the minutes of the meeting of August 2, 1985. Mr. Corbin moved that the minutes be approved. Mr. Ryan seconded the motion and the motion carried unanimously.

Financial statements, budget report and investment reports were the next order of business. Mr. Corbin questioned the rate of return on investments being lower than those in 1984 and wondered whether this was an indication of things to come. The Executive Secretary said they were lower because approximately 1.5 million of investment income had not been allocated to the specific investment categories by the Board of Investments at the time the report was prepared. The mortgage delinquencies were next discussed and the fact that there seemed to be more mortgages 8 months or more delinquent. Mr. Meske commented that on one mortgage, the individual had claimed bankruptcy and wondered what the status of this would mean to the Teachers' Retirement System which holds the mortgage and the fact that this appeared in the Great Falls Tribune. Mr. Argenbright said that would be one loan we would want further information on because of the publicity in the paper. Chairman Kearns then directed the staff to obtain additional information. Mr. Ryan then moved that the financial statements, budget report and investment report be accepted. Mr. Argenbright seconded the motion and it carried unanimously.

The Executive Secretary's Report was then reviewed. Chairman Kearns noted that it would be one of his goals to finalize the new computer system within the next year. Mr. Argenbright noted that the Department of Lands had invested about \$800,000.00 in a new system and it is yet to be implemented and that if the TRS system isn't implemented soon, maybe we should be looking into some outside help and he would assist in that area. The Executive Secretary said that the weather has been holding up the progress of the landscaping of the DNRC building and the TRS parking lot. Also he said that with the MEA and MFT Conferences the next week we were going to have an exhibit table at each conference and make ourselves more available to the membership. Mr. Burke moved that the Executive Secretary's Report be accepted as a matter of record. Mr. Ryan seconded the motion and it carried unanimously.

The Chairman noted that Dexter Roberts was the next item of business but Mr. Roberts was not here yet so we would go on to the letter from School District No. 2, Yellowstone County. The Executive Secretary said this had to do with some people employed in federal programs by School District No. 2, that were not reported to the System and we wrote a letter to them asking for their position and the reply came back with some conditions. The Executive Secretary said the Board would want to consider whether to accept the conditions outlined in Superintendent's Poston's letter. He called the Board's attention to an error in the dates of the fourth paragraph in that the date July 1, 1985 should be July 1, 1965. He noted that this was a concern because in the case of Florence Bradshaw, her date of employment began in 1963 and the school district is saying they would only go back to 1965 in picking up the past due contributions. Mr. Meske said that he was bothered by the fact that we were going to have to contact all of the people. The Executive Secretary said that according to law, this is the responsibility of the employer, but for the member's best interest we would be willing to do this. Mr. Meske said that if we do this and miss somebody, the burden of proof is on us whereby Mr. Argenbright indicated that maybe we should point out that we will do this to the best of our ability. Mr. Ryan moved that we change the July 1, 1985 date to July 1, 1963 and then handle it to the best of our ability. Mr. Corbin seconded the motion. After some further discussion the question was called and the motion passed unanimously.

The next item of business was the letter from James Howeth, of the Board of Investments. Chairman Kearns noted that at the last meeting, the Board was concerned with the investment in the Montana Development Corporation and directed the Executive Secretary to write a letter asking for the rationale and the letter was the reply to our inquiry. Chairman Kearns said that being on the Board of Investments it is not the thing they usually do, but their explanation was we have to do a few of these things to help in Montana and the amount of the investment was so small in terms of our total assets that as long as they don't do too much of it, we will accept their explanation.

The next item of business was consideration of a creditable services purchase contract. Chairman Kearns asked the Executive Secretary for his comments and he said that at the last meeting the Board requested that a document be drafted so that when a member starts buying service, he or she understands completely what they are doing. He said, as administrator he is not comfortable with a contract but would like to consider something they can understand without any contractual obligations and the legal problems that a contract situation could create. Also, he wasn't sure whether the Board intended to eliminate the purchase of service on an installment basis. We currently do this at very reasonable interest rates. Mr. Corbin said that he would support the present installment method. Discussion then followed as to whether we should establish a certain time frame to purchase the service. Mr. Meske said a lot of members will delay payment because they can earn more money than the interest rate we are charging. Chairman Kearns asked if the attorney had any comments Mrs. Lovitt said she seems to be hearing that there are arbitrary and capricious ways in which people are allowed to buy back service and you may be subject to criticism from the membership

as a whole for individual treatment. She said she also was not comfortable with a contract concept and possibly a memorandum of understanding would be more appropriate by laying out the rules for purchasing the services. Mr. Meske said that if he used the term contract at the last meeting, he really didn't intend it to be a contract but more of a formal agreement of what they are supposed to do and that we understand what they agreed to. Mr. Corbin pointed out that an individual can wait until the last day before retirement before buying any service and there is nothing we can do about it. The general consensus was that it would be a good idea to send out a memorandum of understanding when we advise them of the cost to buy the service. The Executive Secretary said that sometime the System may wish to consider changing the law by saying that the cost of the service will be the employee-employer rate in affect at the time they start buying the service which would then more appropriately offset the cost of the benefit. Right now it is getting to be an administrative nightmare in just calculating the cost because changes in the law or contribution rates have established so many grandfather clauses, that each individual calculation is different. Mr. Meske suggested that we cite some different kinds of things that make this complex and bring this to the next meeting.

Chairman Kearns noted that Dexter Roberts had joined the meeting and introduced him to the Board and then invited Mr. Roberts to present his case to the Board. Mr. Roberts said that receiving the letter suggesting he could come here and he thought it would be a good idea to get to know one another, so that we weren't dealing completely with abstractions. Mr. Roberts said that in his reading the correspondence it resulted in a misunderstanding on his part and that he had planned real closely and was doing it at the last minute. Buying the service was dependent upon the last paycheck which was received early in July. He said that he read in Mrs. Andridge's letter on page 3 that the amount as quoted will be the cost until June 30, 1985. Interest accrues at the rate of 8% per annum on the unpaid balance as of July 1, of each fiscal year and he immediately assumed that the interest began accruing July 1, 1985, when in fact it accrues beginning July 1, 1984 and one does not have to pay the interest if paid by June 30. Instead, he had a full year's interest to pay and he had to borrow the additional \$400.00 to pay the interest. He said that he was hoping by appealing that he would get back the \$400.00 and he would rest upon the Board's good will. Chairman Kearns asked the Executive Secretary where we were right now? The Executive Secretary said that it is up to the Board to determine whether Mr. Roberts was properly informed or whether we didn't properly advise him of the additional interest if, it wasn't paid by June 30, and if so, the interest could be waived for the 1984-1985 fiscal year. Mr. Roberts advised the Board that he had a ten o'clock class, but would answer any questions the Board may have. Chairman Kearns then asked if there were any questions. Mr. Argenbright asked if this was a letter which goes out to everyone in like circumstances? The Assistant Executive Secretary said that it was. Mr. Burke said that coming from the business world, in any loan, you always pay interest behind and to him the letter was very clear. There being no further questions, Mr. Kearns told Mr. Roberts that a letter would be written advising him of the Board's decision. Mr. Roberts thanked the Board and left the meeting. At this point, Alton Hendrickson

220

entered the meeting. After some discussion, Mr. Corbin moved that the interest for the 1984-1985 year be waived on the basis that the letter wasn't clear. Mr. Ryan seconded the motion. Mr. Meske agreed that the statement did not clarify the interest charged and that was why he proposed the agreement form and action on Mr. Robert's request was delayed. Mr. Argenbright said that we cannot base our decision on his need for the \$400.00. Mr. Burke felt it would be a terrible precedent to give him back his money. Chairman Kearns called for the question to vote on the motion to refund the interest. The motion failed on a vote of two in favor of the motion and three opposed.

Chairman Kearns said the next order of business was the actuarial valuation report and turned the meeting over to Mr. Hendrickson. Mr. Hendrickson said at the last meeting, the Board discussed changing the interest assumption and the salary increase rate. He said he had a tentative report and that his firm suggested increasing the interest rate and the salary rate. Reports were then handed to everyone present. Along with some other changes, the net affect would change the amortization period about 3 years. Mr. Hendrickson then gave the results of what it would be applying the actuarial assumptions similar to July 1, 1983 and determined that the contribution rate of 14.472% is sufficient to amortize the unfunded liability over a period of 40.64 years. This compares to an amortization period of 40.25 years in 1983. He said the number of retirees seem to be causing the increase in the amortization period, but that was not their recommended amortization period for this valuation, but that is what it would be if we did not change any assumptions. Mr. Hendrickson said their recommendation to change assumptions is because they believe a change is warranted. Their recommendation was to change the interest rate assumption to 8% from 7% in light of the investment return and what is likely to happen in the future. He said that there is a trend to increase the interest assumption, but an additional recommendation is that the salary increases or cost of living be increased to 6½% and that historical trends indicate this will continue on a long term basis. He said the current economy is in a very unique position in that we are experiencing one of the higher real rates of return in that you are able to earn 10-11% and cost of living is at 4% for a real rate of return of 6-7%, which is very abnormal, therefore, we don't want to consider today's economy in making projections for the next 40 years. Investment earnings and cost of living over a long period of time go hand in hand and we have to anticipate that and it would be irresponsible in setting assumptions on the basis of today's economy rather than looking at past history. Longevity and merit increases are also included in the cost-of-living assumptions, Mr. Hendrickson added. Mr. Hendrickson then reviewed the salary increases of the System since 1971 to support his conclusions. Mr. Hendrickson also felt we should tighten up the mortality rates and that they were changed to reflect increased longevity. In reviewing the other assumptions used, they determined that a change is also necessary in the retirement rate assumption. The number of retirees in the last two years has averaged 363 including disabled and survivors and the average during the preceding 8 years was 287 members each year. In order to properly recognize the liability for members electing earlier retirement they have determined that it is necessary to increase the probability of

retirement by 5% at each age. Usually, actuaries pick out a normal age such as 61 or 62, but it needs to be more sophisticated in the Teachers' System because you have to look at service as well as age, so they have built in probability of retirement and rates were established for a given age and these were adjusted 5% for each group. Although the average has been 287, the average used in the valuation was more, but based on the experience of the last two years, it appears we're going to have to anticipate even a greater number. Mr. Hendrickson then reviewed some additional statistics and the normal cost rate which is what percentage of salary is necessary each year in the future to pay for benefits that are earned each year in the future. The net result of changing the assumption, interest, cost of living, mortality and retirement ages is to have an amortization period of 37.55 years, which is a figure they feel very comfortable with even though this is a tentative report. Mr. Hendrickson said you have to look at each assumption on their own merit and other than the 3 basic assumptions, mortality, interest and cost of living, only the retirement ages should be changed because that has an immediate affect on the system. Mr. Burke moved that the proposed changes in assumptions be approved. Mr. Meske seconded the motion. The motion then passed unanimously. Mr. Hendrickson said that the final report would be ready in approximately 2 weeks, but that he would like to go over the report with the Board at their next meeting.

The next item of business was the report of the NCTR Convention and Chairman Kearns asked the Executive Secretary for his comments. The Executive Secretary said that this conference probably had the finest speakers at the general sessions than we've ever had but the workshop sessions were somewhat disappointing. He then briefly covered each of the topics and workshop sessions he attended. Mr. Meske said that he would agree that the total group of speakers were exceptional, but expressed disappointment in the sectionals. He also added some comments about the speaker from NASA who gave a video on what goes on inside NASA and a speech by an Admiral who stated the University of Texas had recruited more national merit scholars than Harvard or some of the other eastern schools.

Mr. Hendrickson then advised the Board he would be leaving the meeting and said he would like to meet with the Executive Secretary on updating the information retained for valuation purposes since it has been some time since it has been done.

New Business was the next item on the agenda and the adjustment in benefit for Robert Pantzer who was President of the University of Montana at the time of his retirement. The Executive Secretary said he was advised by Jack Noble of the University System that the University of Montana failed to report the value of the housing provided President Pantzer and since the law provided that contributions be withheld, it was necessary to calculate the employee-employer contributions on housing of \$400.00 per month and bill the University and Mr. Pantzer for the amounts as well as the interest the System would have earned had these contributions been reported properly. As a result Mr. Pantzer received an adjustment in benefit from his original benefit of \$1,046.64 to a monthly benefit of \$1,358.90. Additional cost of living increase applied boosted the benefit to

\$1,457.37, as of July 1, 1981. Mr. Burke moved that the adjustment be approved. Mr. Argenbright seconded the motion, and the motion passed unanimously.

The next item of business was a request from Alvin Fiscus to receive out-of-state teaching service for employment at a medical center where he was employed as a lecturer and researcher in microbiology. Mr. Fiscus claimed that his employment at Sioux Valley Hospital in Sioux Falls, South Dakota qualified under the private school employment provision, inasmuch as the hospital was a teaching hospital. Mr. Fiscus had submitted some additional documentation to support his argument. Mr. Corbin said that a lot of the time, hospitals are teaching centers and they get students from Universities. They pay tuition to the University, but receive their teaching from a medical center. Mrs. Lovitt said that the statute 19-4-408 MCA includes employment as a member of the scientific staff and from a legal standpoint and based on the additional information submitted, it would appear that the service would fall under the provision of private school employment. Mrs. Lovitt said the first determination the Board should make is whether it is a post-secondary educational institution. After further discussion, Mr. Burke moved that the request be granted. Mr. Corbin seconded the motion. The motion passed unanimously.

Chairman Kearns said the next order of business was the letter from Lois Menzies staff member of the select committee of House Bill #270 in which she requested that the Teachers' Retirement System furnish them with mailing labels in order to conduct a survey of retired public employees as to what type of insurance coverage they may or may not have. The Executive Secretary pointed out that previous Board policy has ruled against this office providing any mailing addresses to anyone. He said we do have to make this information available if someone wants to compile the information, but we are not obligated to furnish mailing lists. He added there is no such thing as a confidential state record unless it may be medical or disability information. He added that we could also have them furnish us with the stuffed envelopes and our staff could apply the labels. Mr. Ryan then moved that we have them furnish us with the envelopes and the staff of TRS would apply the address labels and send them out from here. Mr. Meske seconded the motion and it carried unanimously.

Chairman Kearns said the next item of business was the letter from Worldwide Tracers and the Executive Secretary said this organization is a possible source that we could use to locate those vested right members who are eligible for benefits. After some discussion, Mr. Burke moved that we check on the creditability of Worldwide Tracers and if it proves to be a reputable firm, that we provide them with the names of the 32 vested right members.

The next order of business was a "no smoking policy" for the Teachers' Retirement Building. The Executive Secretary said that this was to comply with a law which went into effect on October 1, 1985. Mr. Burke moved that the policy as submitted be adopted. Mr. Meske seconded the motion and it passed unanimously.

The next item was any Other New Business and Chairman Kearns called for comments about the public meeting held at the Missoula County High School Administrative Office Building, October 10. Mr. Corbin said that he would like to see an approach to the Governor to share the earnings on Social Security contributions collected by the Public Employees' Retirement Division. Chairman Ryan said he would like to take another board member with him and he also would like to talk to the Governor's Office about the Executive Secretary's salary. Mr. Argenbright asked if we have exhausted all of the alternatives in regard to the Board's authority to do more. Chairman Kearns said that he and Mr. Ryan have been working on the Executive Secretary's salary. Mr. Argenbright said he was aware of an employees position that became exempt under the Advisory Council for Vocational Education, which is an appointed board financed by federal dollars and that the TRS Board should have as much autonomy as that Board. Mr. Corbin asked if that just included the Executive Secretary or also the Assistant Executive Secretary and the Board agreed it should also include the Assistant Position. Further discussion ensued about the procedure to follow and that further legal study should be done to see if the Board had any authority.

Mr. Corbin then asked about the status of our tax sheltered annuity program and what the future course of action should be? After some discussion and noting that it was an item on the suggested goals and objectives, it was decided to address the issue when the Board would have a meeting just on the goal setting issues.

Mr. Burke said that a newsletter was also mentioned. Mr. Meske said that parts or interesting facts from our valuation could be included. Mr. Argenbright said that if TRS could absorb the printing and supplies costs, he could possibly provide some staff help in that area.

The next item of business was the regular retirement and survivor's benefits. Mr. Burke moved that they be approved. Mr. Ryan seconded the motion and the motion passed unanimously.

Chairman Kearns said the next order of business was the disability applications and the first was from Audrey R. Anderson. After reviewing the medical information submitted, Mr. Ryan moved that the application be approved. Mr. Argenbright seconded the motion and it passed unanimously.

The last application was for Helen Manning and in reviewing the information submitted, Mr. Corbin moved that the application be approved. Mr. Ryan seconded the motion. The motion then passed unanimously. The Executive Secretary said that Mrs. Murray's application was received prior to the last meeting but was misfiled, therefore, he contacted Mr. Ryan, Mr. Kearns and Mr. Corbin since they were the only board members available at that time and received tentative approval of the application so that Mrs. Murray could begin receiving her benefits on a timely basis with the understanding that it would be subject to formal approval by the Board at their next meeting.

Chairman Kearns then said he had a couple of goals he wanted to see fulfilled during his term and one was to put to use the

Minnie Fullam Fund, as it was originally intended, the salary situation for the Executive Secretary and Assistant Executive Secretary and that the new computer system be operational. He said we should get started on the short range long range goal planning and that a day or two should be set aside just for that purpose. Mr. Corbin asked whether we have had enough public meetings? After some discussion, it was decided that we go to the Bozeman, Flathead and Glasgow areas and that the next public meeting be held in Bozeman on January 16, 1986 and a regular board meeting on January 17 and a spring meeting in the Flathead area.

Mr. Corbin then moved that the meeting be adjourned. Mr. Burke seconded the motion and it passed unanimously.

RETIREMENT LISTING

<u>RETIREMENT APPLICATIONS - AUGUST, 1985</u>	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Arthun, Helen G. (Retro to 07-01-84)	Park	13.89	\$ 310.01	58
Block, Daniel G.	Beaverhead	33.86	1,534.21	66
Chapman, Donna (Retro to 07-01-85)	Lake	26.61	826.49	52
Clouse, Ferris E. (Retro to 07-01-85)	Missoula	37.00	1,193.40	62
Coffin, Jack L. (Retro to 05-01-85)	V. R.	17.89	194.09	50
DeMoney, Fred W. (Retro to 07-01-85)	MT. Tech.	18.00	1,778.25	66
Etcheck, Robert C. (Retro to 07-01-85)	Deer Lodge	19.67	626.69	61
Kiehl, Richard L. (Retro to 07-01-85)	Yellowstone	12.00	301.03	52
Lavey, Eugene L. (Retro to 07-01-85)	Daniels	31.22	986.81	56
McCaslin, John G.	MT. Tech.	33.44	1,593.58	63
Reich, Frank J. (Retro to 07-01-85)	Missoula	31.09	1,253.49	58
Roberts, Dexter M. (Retro to 07-01-85)	U of M	25.31	885.04	54
Saunders, Carol	E.M.C.	37.11	1,584.57	71
Streeper, Joseph B.	Beaverhead	18.50	323.41	50
Thompson, Esther L. (Retro to 07-01-85)	Yellowstone	10.42	315.08	61
Wisscher, Sietwende H.	V.R.	5.00	69.20	55

SURVIVOR APPLICATIONS - AUGUST, 1985

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>A</u>
Hanson, Doris Survivor of Harry C. Hanson	Hill	20.97	612.17	61 67
Nebel, Billiette Survivor of David E. Nebel Retro to 07-01-85	Cascade	13.00	466.64	29 38

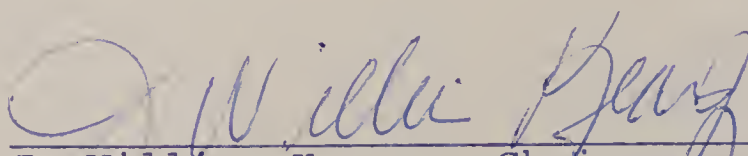
RETIREMENT APPLICATIONS - SEPTEMBER, 1985

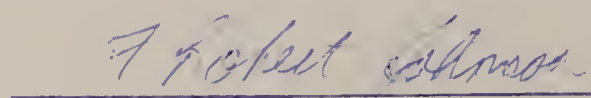
Davis, Virginia E.	Yellowstone	26.00	760.26	58
Erickson, James H. M.	N.M.C.	12.22	1,133.44	62
Lorenz, Mavis M.	U of M	35.14	1,608.86	59
Lund, Gloria M. (Retro to 10-01-81)	V.R.	18.00	137.16	53
Monson, John C. Jr. (Retro to 07-01-85)	Lewis & Clark	28.21	1,522.03	50
Rickner, Mary J.	V.R.	13.33	133.30	61
Scott, Daniel C.	W.M.C.	32.53	1,333.88	55
Warne, Earl K.	E.M.C.	38.89	1,955.78	61
Zetler, Alan G.	W.M.C.	29.88	1,675.12	56

SURVIVOR APPLICATIONS - SEPTEMBER, 1985

Gohsman, Donald C. (Survivor of Barbara Gohsman)	M.S.U.	11.67	377.24	54 55
---	--------	-------	--------	----------

The Teachers' Retirement Board approved these applications for retirement
this _____ day of _____, 1986.


J. William Kearns, Chairman
Sr.


F. Robert Johnson
Executive Secretary

257

EXECUTIVE SECRETARY'S REPORT

JANUARY 10, 1986

The Architecture and Engineering Division moved out of the lower level of the building the week of December 16-20. The space is in need of a good cleaning and some spot painting. When the new carpet is installed sometime in January, the Production Services Section of Information Services Division will be moving in.

Chairman Kearns awarded five years pins (denoting 5 years of Montana State Service) to three of our employees at the annual office Christmas party. Those receiving the awards were Marjorie Rowley, Karla Rinehart and Denise Blankenship. Mrs. Rowley and Mrs. Rinehart have been with TRS for five years while Ms. Blankenship has served the State of Montana for approximately six years. Mary Andridge has 12 years of service with TRS but had already purchased the pins. The awarding of longevity pins is a new Department of Administration policy and it is required that pins be awarded for service of 10 years or more, with 5 year pins being at the discretion of the individual agency.

Work on the new computer system is accelerating with additional staff time requested for January. The tentative implementation date according to Jim Sheehey, Systems Analyst is July 1, 1986.

Since the last meeting I traveled to Bozeman, November 15, to speak to the Bozeman Retired Teachers. There were about 70 retirees present and many good questions were asked after my presentation. When we speak to the retired groups we try to emphasize that the System's assets are not indicative of its ability to provide cost of living adjustments and it is a difficult concept for them to understand.

The exhibit tables at the MEA and MFT Conventions proved to be very successful, at least the first day of each convention. One only has to look at the correspondence generated after the meetings to realize the interest.

Juanita Warren, our data entry operator since August 1981 resigned in November and she was replaced by Janna Umfleet, general clerk. Mrs. Umfleet's position is now vacant and the position is being advertised.

We were successful in securing a pay exception for our accountant Jim Ferron and a 3 step increase was given.

The new position, Accounting Clerk III has been filled by Kimberly Vollertsen and she reported to work on January 6, 1986.

TEACHERS' RETIREMENT BOARD MEETINGJANUARY 10, 1986

The meeting was called to order at 8:40 a.m. in the Board Room of the Holiday Inn Motel in Bozeman. Those present were:

J. William Kearns, Jr., Chairman
James E. Burke, Board Member
Kenneth Meske, Vice Chairman
LeRoy Corbin, Board Member
J. Thomas Ryan, Board Member
Mary Andridge, Assistant Executive Secretary
F. Robert Johnson, Executive Secretary
Beda Lovitt, Attorney

It was noted that Superintendent of Public Instruction, Edward F. Argenbright was unable to attend the meeting.

The first item of business was the minutes of the meeting of October 11, 1985 and Chairman Kearns asked if there were any corrections or additions. There being none, Mr. Corbin moved that the minutes be approved. Mr. Burke seconded the motion. The motion carried unanimously.

Financial statements, budget report and investment reports were the next item of business. Chairman Kearns noted that the Board of Investments was getting increased pressure on divestiture of investments of companies doing business in South Africa. Their position is they don't want to limit themselves. Mr. Ryan said he would like to see the TRS Board to encourage the Board of Investments to find substitutes for these types of investments. Mr. Corbin said he agreed with Mr. Ryan. After some further discussion, Mr. Ryan moved that the TRS Board encourage the Board of Investments to curtail investments in companies in South Africa where investments in non-South African companies may provide a comparable yield and security factor. Mr. Corbin seconded the motion. The motion passed unanimously.

Mr. Ryan then moved that the financial statements budget report and investment report be accepted. Mr. Burke seconded the motion and the motion carried unanimously.

The Executive Secretary's Report was then reviewed. The Executive Secretary commented that instead of cleaning and spot painting the lower level of the building, it was decided to paint the entire area. The estimated cost was \$500.00 by Doug Olson of the General Services Division. He added that he and Mrs. Andridge had started to review some of the screens of the new computer system and that the implementation date is July 1, 1986. Mr. Corbin moved that the Board accept the Executive Secretary's Report. Mr. Burke seconded the motion and it passed unanimously.

Chairman Kearns said that Old Business was next and he wanted to reiterate that when he took over as Chairman that he had 3 goals, one was to get the computer system implemented, another was to find some use for the Minnie Fullman Fund and the

third was to get the Executive Secretary's position upgraded. He said the current status of that is the job is to be reviewed by the Department of Administration and that he had talked to Ellen Feaver who asked that a current position description be submitted for review. The Executive Secretary said that regardless of what happens, the Assistant Executive Secretary's position will be reviewed also. Chairman Kearns added that if the upgrade is denied, we will appeal it to the Board of Personnel Appeals.

The Assistant Executive Secretary then asked the Board if it was their understanding to now pay for the public meeting and board meeting out of the administrative budget entirely or whether they wished the costs of the public meeting to be paid out of the Minnie Fullam Fund as was done the previous year. After considerable discussion, the Board felt the administrative budget was the proper vehicle to pay for the cost of the meeting and Mr. Meske moved that the Board be on record that the expenses be paid from the administrative budget. Mr. Burke seconded the motion and it passed unanimously. Mr. Corbin said that possibly the Minnie Fullam Fund could be used to improve communications between retired members and the System. Mr. Meske said that serious consideration should be given by the Board to dispose of the fund in the manner in which it was intended. Other ideas such as one-time adjustment in benefits or a thirteenth check were discussed.

Order of business then went to Old Business and the actuarial valuation. The Executive Secretary said that at the last meeting, Mr. Hendrickson indicated to the Board that he would like to discuss the final report with the Board at the next meeting. Copies of the final report had been sent in December. On Tuesday the 7th of January Mr. Hendrickson contacted the Executive Secretary and said he would not be able to make the meeting and felt that any discussion would be repetitious and really not necessary. Mr. Corbin said he felt the report was reviewed thoroughly at the meeting in Missoula and moved that the final report of the valuation be accepted. Mr. Meske seconded the motion. The motion passed unanimously.

The rental rate for the lower level of the TRS building was the next item of business. The Executive Secretary said that the new renters had asked him to have the Board review the rental rate as they feel it is high compared to what the State of Montana charges and in view of the office space now available in the Helena area. He added that he had talked to some Realtors and was told that a rate of \$7 - \$10 per square foot was in the ballpark. At the same time, consideration should be given to state agencies in view of rising costs and that we are exempt from paying property taxes if we lease the space to a state agency. Higher rent means higher costs to users of the Information Services Division. He said that PERD charges \$5.75 per square foot, but that taxes amount to \$1.50 per square foot of that cost. At the same time, the renters, however, pay their own utilities. Mr. Burke said that in his experience with utilities right now, he questioned where we should do anything with the rent. The Executive Secretary said that effective July 1, 1986, a new agreement would be in affect with General Services Division and they would pay our utilities for a flat rate and that flat rate would seem to work out better for TRS based on square

footage costs and we would not have to worry about severe winter or rate changes. In addition, they will paint our building, pay the insurance and repair the roof when needed. After some discussion and the fact that the building is an investment to realize rental income, Mr. Burke moved that we charge rent at the rate of \$7.00 per square foot for the next two years and that it be renegotiated at that time. Mr. Ryan seconded the motion. The motion passed unanimously.

Chairman Kearns then referred to the problem encountered in the purchase of service credit and asked the Executive Secretary for his comments. The Executive Secretary said that due to court decisions, law changes, and contribution rate changes, the calculation of service cost is very complex. He said the Assistant Executive Secretary had brought some examples as was requested at the last meeting. Mr. Corbin mentioned that someone in Butte had contacted him about active duty, while in the reserve Ms. Lovitt said that federal law recognizes only active military duty or duty for which orders are received. Weekend drills do not constitute active military duty but the two weeks training is considered as active duty. The Executive Secretary said the cost to purchase service is always based on the first full years salary following the type of service being purchased, multiplied by the applicable rate in effect at the time the member becomes eligible, which is five years of membership service subsequent to the service being purchased. The Assistant Executive Secretary then reviewed an example of a member when there has been more than one break in service and who was eligible to purchase two years of leave. She explained that you must first calculate the most economical service, because some periods are cheaper than others because of interest charges. In the example cited two different breaks of service had to be calculated separately. The next example illustrated different breaks in service and the different eligibility dates and salaries used in the calculation. Two other examples illustrating grandfather clauses were then discussed. The Assistant Executive Secretary said one complex calculation can take as much as 20 minutes. Mr. Corbin asked what was being proposed. The Executive Secretary said that consideration might be given to making them buy the service at the employee/employer rate in effect in the year in which they buy the service. This would serve two purposes, better funding for the System for the service being purchased, and it provides an incentive for members to buy the service when they become eligible rather than wait until just before they retire. He said there should be a grace period of two to three years before the new law's effective date for those eligible to buy service. Chairman Kearns recommended that the Executive Secretary submit a proposal at the next meeting to rectify the problem.

Chairman Kearns said the next item was other old business and he said the Board may wish to consider having one day to discuss the goals and objectives based on what has been gathered from our previous public meetings. After some discussion, the Board suggested to the Chairman that he get together with the Executive Secretary to decide a place and time.

Chairman Kearns noted the first item of new business was the letter from Genevieve Huntsinger and that each board member had received a copy of her letter. The Executive Secretary said that he had shown the letter to Mr. Kearns and that he suggested it be an item on the agenda. The Executive Secretary said that Mrs. Huntsinger was disturbed with the letter sent to each retiree explaining the adjustment and felt that she was misinformed about the adjustment and that communication was poor and that false information was disseminated. The Executive Secretary then distributed a copy of the letter which was sent to each retiree and commented that on every minimum benefit increase, individual calculations must be made depending upon the option taken at retirement. He said it is difficult to write a general letter that will cover all situations without adding confusion. He added that he had checked with the sponsor of the bill, Representative Eudaily to be sure that the calculation similar to Mrs. Huntsinger's situation was the intention and Representative Eudaily concurred. The Board then reviewed all of the correspondence and suggested that the Chairman write a letter to Mr. Huntsinger apologizing for the misunderstanding but pointing out that the adjustment was apparently administered in accordance with the intent of the law.

The next item of business was Alden Ray Irish. Chairman Kearns noted that this item was in response to a letter from Mr. Irish's attorney, Randall Gray and was a request to allow Mr. Irish to purchase .22 years of service while Mr. Irish was recovering from injuries sustained in a work related automobile accident. The Executive Secretary said that he had asked the attorney for an opinion as to whether the Board had the authority to act on Mr. Gray's request in the absence of any specific legislation or board policy which addresses the issue. He said Ms. Lovitt's staff had replied and each board member had a copy of the opinion in their board packet. He then referred comment to Ms. Lovitt. Ms. Lovitt said that Kathleen Holden did the research and that she and Kathleen had met with Mr. Johnson to discuss the findings. Ms. Lovitt said that Section 19-4-204 talks about absence without pay, but in order to grant creditable service under that provision the Board would have to adopt guidelines and the Attorney General's Opinion on sabbatical leave says the same thing. Since the Board has no written rule, there is no authority to grant Ms. Irish the service he is requesting to purchase. She said that the Board is going to have to adopt a rule to handle the Irish type cases and how you are handling sabbatical leave. She warned that in writing a rule you are going to have to be very careful that you don't open the door to granting a lot of benefits which may end costing the System money. Without implementing a rule, you don't have the authority to do that. The Executive Secretary said that another alternative is to draft legislation which specifically addresses workers compensation cases and illness such as PERD has. Mr. Corbin said that he did not think an individual should be penalized in his retirement if something out of his control prevented him from working. Mr. Ryan questioned Ms. Lovitt's statement that if we do adopt a rule are we going to open up a "Pandora's Box"? She replied that no, if you really give it a lot of thought and attack it by legislation similar to PERD, then it would be clear, but if you just adopt a policy that is going to make it discretionary upon the Board, you create a lot of problems. After

242

further discussion the Chairman suggested that the Executive Secretary draft something for the next meeting. Mr. Corbin said he would like to see the workers' comp issue drafted into law and possibly the Board would want to draft another rule. He added there should be something distinguishing voluntary and involuntary leave. The Executive Secretary said he questioned the analogy of Mr. Irish's situation and the sabbatical leave policy because according to the Attorney General's Opinion a service was being rendered to the employer while on sabbatical whereas in Mr. Irish's case, there was no service being rendered. Ms. Lovitt said that this is the basis to attack Mr. Irish's service but that the Board does need a rule for sabbatical leave. After further discussion the Board directed the Executive Secretary to pursue legislation to address the Worker's Compensation and illness issue.

The next item of business was legislation. The Executive Secretary said that the Director's Office of the Department of Administration has set a date of February 3 as the date for a narrative of the legislation we are proposing for the next session and that he had prepared a discussion memorandum. The first item was to change our law on the hiring of actuaries to specify an "Enrolled Actuary". He explained that an "Enrolled Actuary" is one who is certified by the federal government to work on pension plans and this would strengthen the law.

The second item was possibly changing the amount of time that a part-time or substitute teacher has to work before they are subject to membership and withholding of contributions. The change would consider going from 30 to 45 or 60 days. Mr. Meske said that perhaps we should go the other way and require all part-time people to belong. The Executive Secretary said that he didn't know where the 30 days came from other than they used to have six week terms or that in some schools it is required that a contract be negotiated when an individual completes 30 days. He added that we probably should get input from the membership before doing anything and Mr. Burke agreed and said that something should be done.

The third item had to do with pursuing legislation for workers' compensation cases and illness which had previously been discussed.

The fourth item was the possibility of having specific legislation regarding sabbatical leave and the suggestion was to give credit on the basis that the amount paid would bear to the salary they would have earned full-time and then allow the individual to pay the employer/employee contributions on the difference. The Executive Secretary said that we could also draft a rule rather than pursuing legislation and Ms. Lovitt concurred with this statement.

The last item, not included in the discussion memorandum was to pursue legislation which would allow TRS to withhold health insurance premiums for our retired membership. He said the new computer system will allow us to do that and noted that this was a point brought up at the public meeting.

The next item of business was the public meeting of January 9, 1986, and the consensus of the Board was that this had been pretty well discussed under Old Business.

Attention then shifted to the naming of representatives to the NCPERS Convention, May 4-8 in Boston. According to the rotation schedule adopted by the Board, Mr. Burke would be in line to attend and Mary Andridge, Assistant Executive Secretary, from the staff. Mr. Corbin moved that Mr. Burke and Ms. Andridge be the designated representatives. Mr. Ryan seconded the motion and it carried unanimously.

There being no "Other New Business", Mr. Meske asked about any action to look into the possibility of acquiring the interest earnings on social security contributions of teachers. The Assistant Executive Secretary said that at the last meeting it was noted that Chairman Kearns and Mr. Ryan would arrange to meet with the Governor regarding this matter. Mr. Kearns indicated that he would get together with Mr. Ryan on this matter.

Mr. Meske then asked the Executive Secretary if there had been any discussion regarding a statewide levy for retirement or any movements thereof. The Executive Secretary said that he was not aware of any movement and had not been contacted by anyone. Mr. Corbin said that we should keep a close watch on the suit against the State to fully fund education.

Regular retirements and survivor benefits were next reviewed. The Executive Secretary said that a new classification had been added to the retirements and disabilities, that being retirement benefit adjustments. He explained that frequently it is necessary to adjust benefits because of incomplete or erroneous information at the time the application is processed and by law, the Board must approve all benefits, so this will be a new item appearing regularly. He said the adjustment presented was to reflect termination pay, the information of which was received after the approval of the original benefit. Mr. Meske moved for approval of the retirements and survivor benefits. Mr. Ryan seconded the motion. The motion passed unanimously.

The disability application of Margaret Gustin was next considered. Mrs. Gustin was receiving a regular retirement benefit effective July 1, 1985, but is now requesting that the Board change her status to disability. The Executive Secretary said her benefit would be increased as a result, since there is no actuarial reduction on a disability. The Board reviewed the application and doctor's findings. Mr. Corbin then moved that Mrs. Gustin's application be approved. Mr. Burke seconded the motion and the motion passed unanimously.

The second and final disability application was from D. Balfour Jeffrey, Missoula. The Executive Secretary pointed out that the physician elected to provide his own narrative concerning the case rather than complete the attending physicians statement and that he had asked Mr. Jeffrey to try and get the physician to complete the last four items of the form, but as of this date, we had not received the form despite calling the physician's office. After considerable discussion and the fact

that the narrative indicated he had been away from work for part of 84-85 year and all of the 1985-86 academic year, along with the fact that the disability would be reviewed in a year, Mr. Meske moved that the application be approved. Mr. Ryan seconded the motion. The motion then passed unanimously.

The next meeting date was discussed after reviewing the dates in April, it was moved by Mr. Ryan that a public meeting be held April 17, in Kalispell and the regular board meeting on April 18. Mr. Corbin seconded the motion. The motion passed unanimously.

Mr. Burke then moved that the meeting be adjourned. Mr. Meske seconded the motion and the motion carried unanimously.

RETIREMENT LISTING

RETIREMENT APPLICATIONS - OCTOBER, 1985

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Adams, Margaret E. (Retro to 07-01-85)	Cascade	40.00	\$2,042.17	65
Chvilicek, Robert N.	Liberty	25.00	1,207.16	48
Jones, Evelyn J.	Gallatin	24.21	814.57	59
Lane, Jeanne M. (Retro to 07-01-85)	Sheridan	8.00	163.39	57
Mahoney, Carol C. (Retro to 07-01-82)	V. R.	9.00	99.37	57
Newman, Gwendolyn A. (Retro to 07-01-85)	Glacier	19.00	474.39	60

SURVIVOR APPLICATIONS - OCTOBER, 1985

Abercrombie, Robert A. Survivor of Frank Abercrombie	MT. Tech.	7.11	269.08	16 43
---	-----------	------	--------	----------

RETIREMENT APPLICATIONS - NOVEMBER, 1985

Eisenhauer, Patricia (Retro to 10-01-81)	V. R.	6.02	44.87	51
Elwood, Marie M. (Retro to 06-01-84)	Custer	24.56	476.12	53
Genger, H. Ward (Retro to 07-01-85)	Wibaux	29.00	924.65	55
Idleman, Elfrieda (Retro to 07-01-85)	Yellowstone	32.56	1,093.56	57
Mahlum, Christean (Retro to 10-01-81)	V. R.	10.16	106.95	53
Marinkovich, Daniel W.	Deer Lodge	35.33	1,982.68	60
Oltrogge, Betty Lou (Retro to 07-01-85)	Yellowstone	14.00	409.37	67
Out, Benjamin	U of M	12.44	816.49	62

245

RETIREMENT LISTING

SURVIVOR APPLICATIONS - NOVEMBER, 1985

Chadwick, Diane K. Survivor of Robert Chadwick	M.S.U.	26.08	1,310.20	56
Hagen, Maripat N. Survivor of Kerel G. Hagen	Flathead	17.88	544.01	56

ADJUSTMENTS - NOVEMBER, 1985

		<u>FROM</u>	<u>TO</u>	
Amunrud, Leroy R. (Retro to 07-01-83)	E.M.C.	\$1,270.79	\$1,274.50	

RETIREMENT APPLICATIONS - DECEMBER 1985

Askeland, Selmer C. (Retro to 07-01-85)	Cascade	37.37	1,338.12	61
Hand, Esther G. (Retro to 07-01-83)	V. R.	6.50	97.80	55
Holliday, Betty G. (Retro to 02-01-85)	V. R.	6.06	52.79	60
Jordan, B. Kathryn (Retro to 07-01-85)	M.S.U.	20.08	576.63	60
Keck, Dallas W. (Retro to 10-01-85)	Hill	17.12	517.14	56
Siroky, Betty J. (Retro to 04-01-84)	V. R.	13.50	211.88	60

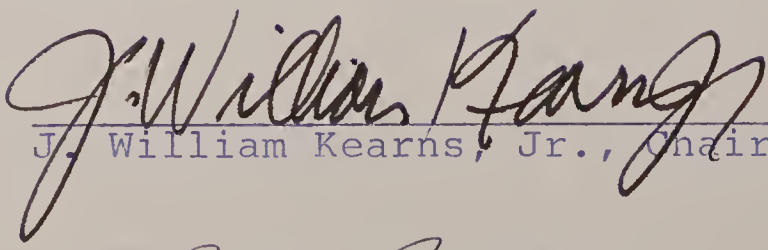
SURVIVOR APPLICATIONS - DECEMBER, 1985

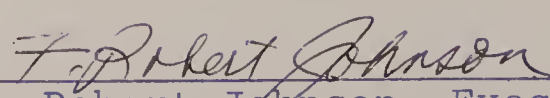
Radakovich, Dora Survivor of Daniel Radakovich	Custer	39.93	1,383.84	59 64
---	--------	-------	----------	----------

ADJUSTMENTS - DECEMBER, 1985

	<u>FROM</u>	<u>TO</u>
Lorenz, Mavis M. (Retro to 09-01-85)	\$1,608.86	\$1,699.79

The Teachers' Retirement Board approved these applications for retirement this _____ day of _____, 1986.


J. William Kearns, Jr., Chairman


F. Robert Johnson, Executive Secretary

EXECUTIVE SECRETARY'S REPORT

APRIL 18, 1986

Requests for estimates of benefits are significantly less this year than last year at this time, as well as the applications for retirement that have been received, therefore, it appears that the actual number retiring will be much less than last year. The primary reason seems to be that the larger districts, Billings, Great Falls and Missoula are not offering retirement incentives this year.

Our administrative rule to implement the law change allowing retired members who took an optional form of retirement benefit to change their option and name a new beneficiary as the result of death of the beneficiary or divorce has been adopted. We sent out a notice to all retirees and have received considerable correspondence. Surprisingly, most of the inquiries have to do with what option they selected and who their beneficiary is.

Progress on the new computer system is moving along quite well and the implementation date is still July 1, 1986. The hardware configuration calls for 5 terminals and one printer. Two terminals were already in place and we have received the additional 3 terminals. The printer is due in June. We will save some money on the printer as \$13,000 was budgeted originally and the one now recommended is about \$4,000. We had originally planned to print our monthly billing statements, but due to little cost savings and other problems, we have decided not to do so, therefore, do not need the high speed printer originally planned.

We have contacted a company in California which matches deaths in the USA against retired and vested members files of pension plans. They have a data base of over 32 million deaths recorded by the Social Security Administration. We simply have to provide them with a tape of the name and social security number of our retired and vested members. The estimated cost is \$464 per search with semi-annual searches.

In March, Mary Andridge traveled to Kalispell and met individually with teachers planning to retire in the next two years. She also gave a general presentation.

Kimberly Vollertsen, Accounting Clerk III has resigned to accept a higher grade position with Military Affairs. We are currently advertising for a replacement within the Department of Administration.

Karla Rinehart who is in charge of our retiree records and is a new supervisor for the Accounting Clerk III position was sent to a training session on "Approaching Supervision".

TEACHERS' RETIREMENT BOARD MEETINGAPRIL 18, 1986KALISPELL, MONTANA

The meeting was called to order at 8:33 a.m. in the Grub Steak Room of the Outlaw Inn. Those in attendance were:

Chairman, J. William Kearns, Jr.
Edward F. Argenbright, Board Member
James E. Burke, Board Member
LeRoy Corbin, Board Member
Kenneth Meske, Vice Chairman
J. Thomas Ryan, Board Member
Mary Andridge, Assistant Executive Secretary
F. Robert Johnson, Executive Secretary
Beda Lovitt, Attorney

Chairman Kearns asked if there were any corrections or additions to the minutes of the previous meeting. There being none Mr. Ryan moved that the minutes be approved as read. Mr. Corbin seconded the motion and the motion passed unanimously.

The financial statements, budget report and investment report were next considered. The Assistant Executive Secretary gave some corrections to the yield figures and mortgage delinquencies reports and the corrections were duly noted. Mr. Argenbright asked if we had received a letter from the Governor regarding the 5% budget cut proposal for FY 87. The Executive Secretary said that we did not receive a letter, but that we were asked by the Director of the Department of Administration to prepare a proposal. Mrs. Feaver later advised us that our budget would not be included in the reduced budget submitted to the Governor. Discussion thus went to the financial reports and Chairman Kearns noted that there has been some activity by corporations in calling in high interest hearing bonds and refinancing this obligation similar to what is happening in the mortgage market. He noted that this would have an affect on the overall yield. Mr. Corbin then moved that the financial report, budget report and investment report be accepted for the record. Mr. Argenbright seconded the motion. The motion passed unanimously.

At this point of the meeting, State Representative Dick Nelson and retired teacher entered the meeting.

The Executive Secretary's Report was then reviewed and Chairman Kearns asked the Executive Secretary for his comments. He said that the new computer system is coming along real well and that the terminals ordered have arrived and the wiring completed. Both he and the Assistant Executive Secretary will have terminals for the on-line application. The Board then discussed using portable computers in the field with phone line

communication systems and Mr. Meske said this should be one of our goals. The Executive Secretary said the magnetic tape had been provided Pension Benefits Corporation for the matching of our retired file and should provide a good service for the cost involved. Mr. Meske then moved that the Executive Secretary's report be approved. Mr. Ryan seconded the motion. The motion passed unanimously.

Order of business went to Old Business with legislation being the first item of discussion. The Executive Secretary said that at the last meeting we talked about some things that might be considered, the first being to change the 30 day law as a requirement for becoming a member of the System. We asked for input from the employee/employer groups and copies of these letters were included in the board packet. Mr. Argenbright asked why the matter had been brought up and the Executive Secretary said that we have received a lot of complaints from teachers, administrators and clerks. He said it is surprising the number of teachers who request to buy the service after becoming members and currently we have only a liability for 29 days, but if it were to be extended there would be an additional liability. Mr. Corbin asked the Executive Secretary's opinion and he said the current law was satisfactory, but some individuals indicated they were going to talk to legislators about changing the law. After further discussion the Board took no action.

The second piece of legislation was to change the requirements of the actuary to be an "enrolled actuary" or someone who is certified by the Federal Government to work with pension plans. The requirement would eliminate non-qualified actuaries from bidding on the services. Mr. Meske moved that the Board support the legislation. Mr. Corbin seconded the motion. The motion passed unanimously .

The Executive Secretary noted that the next piece of legislation was at the request of Mr. Corbin based on a request from a member at the last meeting to be allowed to purchase service for time while receiving a benefit from Worker's Compensation. The language for the proposed bill was drafted from similar legislation in PERD's law. Mr. Ryan said when a person is disabled because of an injury on the job the full responsibility for keeping that person in tune with his retirement and everything else should be the responsibility of the Worker's Compensation Division and that through legislation see that a person's retirement doesn't suffer because of the accident. He said he had been through several work related accidents and what you get is enough to live on if you are frugal, but insurance and other things are difficult to maintain with the cash flow you get. He indicated that the Worker's Compensation Division should be required to make the contributions to the System as long as that person cannot be gainfully employed and his concept would require both the employee and employer's contributions to be made by Worker's Comp. Discussion followed as to the pros and cons of getting legislation passed with this approach. The Executive Secretary said the legislation was prepared because of a request from an injured member to purchase this time and the board had to deny the request due to lack of statutory authority or a board rule.

Mr. Ryan said he would like to see the Board withhold action on this until we can explore other alternatives and keep the welfare of the person as a priority. Chairman Kearns asked whether it would hurt to pass what is proposed and then research further Mr. Ryan's suggestion. Mr. Meske then moved that the bill be approved as is with further study to possibly include Mr. Ryan's recommendation. Mr. Corbin seconded the motion. The motion carried unanimously.

The next bill would allow the Teachers' Retirement System to withhold health insurance premiums from retired members' benefits. The Executive Secretary said the new computer system will give us the capability to do this and it would be an added service to our retired members and that we could administer the added duty within our existing personnel structure. Discussion followed as to other alternatives the retired member has, but that it was a service the members wanted. Mr. Corbin moved that we approve the proposed legislation. The motion was seconded by Mr. Ryan and the vote was unanimous in favor of passage.

Mr. Nelson then asked Chairman Kearns if he could make a comment about yesterday's meeting and Chairman Kearns said the Board would welcome his comments. Mr. Nelson said that the item of improved communications to members and that younger members ought to get thinking about retirement, therefore, he asked about the possibility of inserting a one or two page brochure with the teaching certificate when it is renewed just to spark an interest in the retirement end of things instead of waiting just before retirement. Mr. Argenbright said that from his point of view, the certification department is not going to get any bigger, but he would look into it as far as the ability to do it. The Executive Secretary said that we also have plans to publish a newsletter which might be another vehicle to communicate this very thing. Mr. Nelson thanked the Board for allowing his comments and left the meeting.

The Executive Secretary said of the remaining two bills considered at the last meeting, one was drafting legislation on sabbatical leave. There is currently an inequity in granting full-time service when contributions are received on a part-time salary. The University System is the most frequent user of sabbatical leave, therefore, we asked for their comments on the issue. Mr. Corbin said that this contributes to our unfunded liability and unless we recognize some of these things and try to correct them, we're not doing our job. Chairman Kearns said that, possibly at the next meeting we would have some input and report back at the next meeting. The other bill was to change the rate for the purchase of service by making it the rate in effect at the time they purchased the service rather than the rate in effect when they became eligible, but it would not solve the problem in that a member could make a minimal payment and lock into the rate and then buy the remaining portion of time at the time of retirement.

The next item of business was the public meeting and Mr. Corbin said that Glasgow is another area to be covered and there is no money in the FY 87 budget to cover that area. Chairman

Kearns asked if we have had enough meetings and Mr. Burke said that we seem to be getting the same feedback, but that maybe Eastern Montana would feel badly and maybe we can send a smaller delegation. Mr. Argenbright said another possibility would be when someone from his office would be going into that specific area and that we could coordinate the trip. Mr. Argenbright said that he would agree to pay for the transportation for four of the group from TRS. Chairman Kearns suggested we do it in the next couple of months. Mr. Argenbright said he would look into the dates of May 21 and 22. It was decided that Mr. Ryan, an active teacher member and the Chairman should go with a staff member and that we try to have an evening meeting followed by a breakfast meeting at the next city. Mr. Meske suggested that the handout be revised to eliminate discussion on those items that have been taken care of. Mr. Burke said that he would like the minutes to reflect that we have had numerous compliments on our staff performance and dissemination of information. Chairman Kearns said we have received compliments wherever we have gone and that most of the problems are with the member and school administration.

The next item of business was the Select Committee on Health Insurance for Retired Public Employees and the Executive Secretary said that at the committee's last meeting in February, a report was issued giving options and the committee decided to further study 3 of the 7 options. One option was to design a separate health insurance plan for retired public employers, the second was to apply sick leave credits toward premium payments, but in school districts where there is no sick leave, to apply retirement incentives or severance pay toward the premiums. The final option would be to create a trust fund for active employees. Mr. Ryan said that one or two of the committee seem to have a difficult time realizing that they are dealing with retired public employees and not private and public employees. He said many private employers are doing more than public employers. He added, however, that it was a good committee and they really get down to business. The Executive Secretary said he thought the staff did a good job in developing the survey of retired public employees and in coming up with the various proposals. Mr. Ryan said that it is Chairman Eudaily's intention that it not be a study that just goes on the shelf. Members of the Board indicated that they would like to receive copies of the proposals submitted and the Executive Secretary said that he would see that they received copies.

On other old business, Mr. Meske asked about the status of the people in Billings wanting credit for their Head Start Program. The Executive Secretary said that he has requested information from the school district and has written them twice with no response. The Assistant Administrator said that it is very difficult to get information from them and Mr. Argenbright commented that they have had a change in managers. The Executive Secretary said that the Florence Bradshaw case had been resolved at least to the point of providing cost information, but no payment had been tendered at this point in time.

Chairman Kearns said that he had some items of old business left with him at the last meeting, one being a meeting with the Governor regarding the Social Security money, the second being the upgrade of the Executive Secretary's job and the third was a meeting for the goal setting. Mr. Kearns said the goal setting could be set for the next meeting and can be discussed when we talk about the next meeting date. He said that he and Mr. Ryan and the Executive Secretary had a meeting with the Governor regarding the Social Security money and although the Governor felt we had a legitimate claim because of teacher contributions, in lieu of the revenue shortfall, there may be other priorities earmarked for that money. One of the Governor's assistant's, Mike Pichette suggested that if nothing is done in the special session that the Board may wish to pursue legislation. Chairman Kearns said that at the very least we should watch the happenings in the special session and at least ask for a part of it. Mr. Ryan said that we should be aware of any proposal's to attach the funds and make the committee aware of our interest.

Chairman Kearns then said that he and Mr. Ryan were scheduled to meet with Ellen Feaver, Director of the Department of Administration to submit an upgrade request for the Executive Secretary's position and he added that it is probably the worst time we could do this. Ms. Lovitt said the Board should keep in mind that it is the position not the individual employed that determines the classification.

The Chairman then went to New Business and interest rates for fiscal year 1987. The Executive Secretary said that we currently credit member accounts with 8% interest and tax shelter annuities at 9%. He said that with falling interest rates and current economic conditions that it is possible our yield on investments will fall and we might have to look at reducing these rates. Mr. Burke said he didn't see any sound basis for changing our interest rates and since we review it each year, the System would not suffer appreciably. Mr. Corbin moved that the rates remain the same. Mr. Burke seconded the motion and the motion passed unanimously.

The request of Carl Wambolt to allow him to buy years of service with the Extension Service while he was contributing to the Civil Service Retirement System was next considered. The Executive Secretary said he referred Mr. Wambolt's letter to Ms. Lovitt for legal research and that the Board had a copy of her reply. Ms. Lovitt said there was no provision in the law which would allow him to purchase the services. She added that sometime back, the extension service employees made the decision to belong to the Federal Civil Services Retirement System and MSU has opted to classify them as Federal employees. Mr. Ryan then moved that we deny Mr. Wambolt's request on the basis that there is no statutory authority which would allow the Board to permit him to purchase that type of service. Mr. Burke seconded the motion. Discussion followed that a similar request from Mr. Wambolt was denied at a meeting of February 26, 1976. The question was then called and the motion passed unanimously.

The Executive Secretary then said that in order to comply with State law we are going to have to revise our rules and

regulations because anything we do which has the impact of law should be a board rule and regulation and part of the Administrative Rules of Montana. Chairman Kearns noted that there was a suggested list of rule changes in the board packet.

The first rule had to do with membership of school nurses or 2.44.302. The Executive Secretary said that Robert Stockton of the Office of Public Instruction had challenged that nurses are eligible for membership. The Executive Secretary said that the current rule is the result of an Attorney General's Opinion based on law prior to recodification. Recodification seemed to remove the language which allows school nurses to participate, however, the Board rule has remained and it has been administrative practice or policy to allow membership of school nurses. He added that by law the Board is the final authority in determining membership eligibility, but that they may wish to pursue legislation, which would add language to include school nurses. He said he could find no record in the minutes when recodification took place, that it was the Board's intent to exclude school nurses from coverage and that recodification was not supposed to involve any substantive changes in the law. Mr. Argenbright said that school psychologists have the right of tenure, but they are not specifically instructional personnel. The Executive Secretary said that speech therapists are another gray area as far as the law is concerned. Ms. Lovitt suggested the Board may wish to pursue legislation to allow certain professional classifications as members. Mr. Corbin moved that we do that and Mr. Argenbright seconded the motion. The motion passed unanimously.

The next rule was 2.44.401 or calculating credit for part-time service. In reviewing the proposed rule change Ms. Lovitt cautioned the Board that you don't want something that is an internal policy as a rule, but if it is something you think your member should know, then you want it in the form of a rule. Also, if something is subject to change it should not be in the form of a rule. The Executive Secretary said that this is something that can change but the member should be aware of how part-time service is calculated. Considerable discussion followed as to whether there should be a rule and the consensus was that a rule should be written, but that the proposed language should be clarified. Mr. Meske moved that a rule be adopted. Mr. Ryan seconded the motion. The motion carried unanimously.

The next rule 2.44.402, credit for military service was reviewed. The Executive Secretary said the current rule is vague in what we require for documentation and how military service is credited. Current policy credits a full month for any service, 15 days or over and no credit for 14 days or less. The proposed rule would give credit for partial months on the basis of the number of days divided by 360. Mr. Meske moved for approval of the rule. Mr. Corbin seconded the motion. The motion passed unanimously.

The next rule considered was a new rule. The Executive Secretary said that the law provides that the cost of leave be based on the first full year's salary following the leave. We

254

have had cases where members have worked a full year but on a part-time basis for eight years and then employed full-time, therefore, in accordance with law the cost is based on the salary in the ninth year of employment, which is usually significantly higher than what the salary had been in their first year had their employment been full-time. We also have cases where members may be always part-time so we have converted the first year part-time salary to full-time in order to calculate the cost, therefore, the policy is not consistent. The suggested change would base the cost on the full-time equivalent of the part-time salary if the employee worked the entire year on a part-time basis. Mr. Burke moved approval. Mr. Corbin seconded the motion. The motion passed unanimously.

The next rule 2.44.505 was to add language to require a copy of the death certificate in the event of death of an active member. Mr. Burke moved that it be approved. Mr. Corbin seconded the motion and the motion carried unanimously.

2.44.507 added a new section requiring a birth certificate or evidence of date of birth for minor children qualifying for the \$100.00 per month benefit.

A new rule providing language that when a member elects an optional form of retirement that a birth certificate be provided for both the member and the beneficiary. Mr. Ryan spoke of the difficulty that sometimes arises in obtaining a birth certificate, therefore, it was suggested that some evidence of birth be required, but not necessarily a birth certificate. Also, that evidence of birth be provided for a member who elects the normal form of retirement and does not have 25 years of creditable service. With the amended language, Mr. Burke moved for adoption and Mr. Corbin seconded the motion. The motion passed unanimously.

2.44.508 Non-Availability of Disability Benefits which stated that a member age 60 or more was not eligible for disability benefits. This rule was rescinded by Board action on April 20, 1977. Mr. Corbin moved that the rule be rescinded. Mr. Ryan seconded the motion. The motion carried unanimously.

2.44.509 Computation of Salary earned. The Board reviewed the rewritten rule as well as the proposed language for determining the contributions due on termination pay.

Mr. Burke moved that the suggested rule change be adopted. Mr. Argenbright seconded the motion. The motion passed unanimously.

2.44.510 The rule change proposed was to bring the rule into conformance with law in allowing a member to earn one-third of his average final salary instead of the one-fourth the law used to be. Mr. Burke moved that the change be concurred in. Mr. Argenbright seconded the motion. The motion passed unanimously.

The final rule, 2.44.511 was to clarify whether a retired member and his employer who makes contributions when his earnings

are in excess of 1/3 of his average final compensation remain with the System or should they be refunded inasmuch as the retired member would not receive any additional service credit unless he worked a full year or more. Mr. Argenbright moved we keep the contributions. Mr. Burke seconded the motion. The motion passed unanimously.

Chairman Kearns noted the next item on the agenda was the 5% budget cut. The Executive Secretary said we were asked to submit a proposal to reduce our FY 87 budget by 5% and that everyone present had a copy of the proposal submitted. The proposal was rather drastic in that we would have to eliminate all out-of-state travel. After receiving our proposal the Director of the Department of Administration advised me that there would be no cuts submitted for our budget by the Department, however, we will have to await the outcome of the special session before we know for sure what is going to happen.

In other New Business, Chairman Kearns presented a plaque to Mary Andridge in appreciation of 10 years of service to the Teachers' Retirement System.

The next item of business was consideration of the regular retirements and survivors benefits. Mr. Burke moved that the regular retirements and survivors benefits be approved. Mr. Corbin seconded the motion and the motion passed unanimously.

Attention then focused on the disability applications with the first application being that from Loretta Gill. It was noted in reviewing the application that the physician did not complete the questions as to whether she could be employed as a teacher. Mr. Argenbright moved that the application be accepted upon proper completion of the items in question on the attending physicians' statement. Mr. Ryan seconded the motion and the motion carried unanimously.

The disability of Bruce E. Blattner was next reviewed. After some discussion of his particular illness Mr. Corbin moved that the application be approved. Mr. Burke seconded the motion. The motion passed unanimously.

The final application was from Jesse Beckman and Mr. Meske moved that the application be approved. Mr. Ryan seconded the motion. The motion carried unanimously.

Ms. Lovitt said the Board may wish to consider having some rules or criteria as to what qualifies as a disability particularly in the areas of mental stress and have some guidelines as policy as to how you look at disabilities because you are going to get challenged eventually. Mr. Burke asked where you can get something like this and Ms. Lovitt said maybe the Board should look at some rules such as giving them the authority to order a medical examination or opinion, further certification etc., to satisfy an iffy situation. After some discussion, the Board directed the Executive Secretary or the Assistant Executive Secretary to look into some examples where

they have done this and have something on the agenda at the next meeting.

Chairman Kearns said the last item on the agenda was to set the next meeting date and it was his idea that maybe we incorporate this with a day for our goal setting. Chairman Kearns felt that we should have someone to act as a facilitator or someone from the outside. Mr. Argenbright said he would talk to the Commissioner of Higher Education as he does an excellent job and if couldn't do it, maybe he would recommend someone. The Board then left the next meeting date open subject to the decision of the Chairman.

Mr. Ryan then moved that the meeting be adjourned. Mr. Corbin seconded the motion. The motion carried unanimously.

RETIREMENT LISTING

<u>RETIREMENT APPLICATIONS - JANUARY, 1986</u>	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Armentrout, Mary Beth (Retro to 06-01-85)	V. R.	15.00	\$ 236.59	60
Axtmann, Harry L.	Roosevelt	25.59	1,050.82	52
Espeland, Dennis O. (Retro to 12-01-85)	Yellowstone	30.22	2,102.47	51
Feeney, Edmund J. (Retro to 10-01-82)	V. R.	20.25	272.30	57
Foster, David E.	L & C	30.44	1,312.15	54
Hall, Gregory H.	U of M	19.00	717.68	64
Heinrich, Ilene C.	Missoula	16.33	718.60	59
Klages, Murray G.	M.S.U.	34.34	1,819.87	62
hch, Robert G. (Retro to 07-01-83)	V. R.	15.58	350.95	53
Morrison, Robert C. (Retro to 09-01-84)	V. R.	16.83	202.74	60
Murphy, Theodore R.	M.S.U.	37.02	1,227.43	67
Nopper, Thomas E.	M.S.U.	33.25	2,649.97	56
Rader, Benjamin G. (Retro to 09-01-85)	V. R.	5.00	26.00	50
Rasmussen, Thelma J. (Retro to 08-01-85)	V. R.	5.22	53.55	60
Roemhild, George R.	M.S.U.	33.22	1,587.73	62
Small, Aaron P.	E.M.C.	34.92	1,468.66	62

SURVIVOR APPLICATIONS - JANUARY, 1986

Warner, Walter H. (Survivor of Kathryn Warner)	Stillwater	19.89	458.79	52 53
---	------------	-------	--------	----------

<u>RETIREMENT APPLICATIONS - FEBRUARY, 1986</u>	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Kober, Alvin C.	Stillwater	32.38	\$1,293.87	50
Link, Lawrence B.	Beaverhead	25.30	1,033.50	53
Pearson, Glenn A. (Retro to 01-01-85)	V. R.	12.00	69.82	50
Reichmuth, Donald R.	M.S.U.	21.78	832.84	51

SURVIVOR APPLICATIONS - FEBRUARY, 1986

Erickson, Robert A. Survivor of Michael L. Erickson (Retro to 12-01-85)	Cascade	13.31	496.95	24 39
Samson, Gladys L. Survivor of A'Delbert Samson (Retro to 01-01-86)	M.S.U.	36.15	2,430.71	59 62

RETIREMENT APPLICATIONS - MARCH, 1986


Bodmer, Leuveda (Retro to 04-01-81)	V. R.	9.00	102.66	60
Deeney, John B.	Yellowstone	29.36	2,073.24	53

ADJUSTMENTS - MARCH, 1986

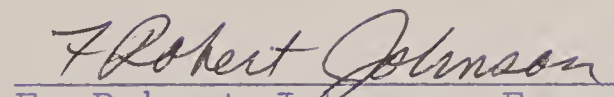
	<u>FROM</u>	<u>TO</u>
Abercrombie, Robert A. Additional Service Credit	\$ 269.08	\$ 270.59
Alley, Jack R. Utilize Summer Salary	308.11	308.98
Anderson, Arlyne E. Additional Salary Received	1,071.37	1,073.34
Anderson, Audrey R. Contract Adjustment for 85-86	1,052.99	1,100.37
Bergene, James D. Salary Overstated on Application	2,174.06	2,159.69
Browning, Peggy J. Salary Overstated on Application	637.16	634.36

<u>ADJUSTMENTS - MARCH, 1986 (CONTINUED)</u>	<u>FROM</u>	<u>TO</u>
Carlson, Marge R. Leave Without Pay Taken During 84-85	\$ 799.65	\$ 796.05
Dwyer, Martin C. Divorce - Change of Option	519.27	601.91
Hall, Gregory M. Additional Termination Pay Received	717.68	717.89

The Teachers' Retirement Board approved these applications for retirement
this _____ day of _____, 1986.



J. William Kearns, Jr., Chairman



F. Robert Johnson, Executive Secretary

EXECUTIVE SECRETARY'S REPORTAugust 1, 1986

As expected, the number of retirement applications were down this year. As of the date of this writing we had processed 181 applications as compared to 248 a year ago, 239 in 1984 and 265 in 1983.

On the surface, the special session of the legislature did not do too much to TRS as compared to general fund and special revenue budgets in that we did not have our FY 87 budget reduced by 5%. However, due to the failure of the pay freeze bill, we will have to fund a 3.75% pay increase without any funds to pay for the raise. This can be done in 3 ways, layoffs, reduced hours, or vacancy savings. We have elected to leave the general clerk's position vacant until the savings of approximately \$8,462 has been realized. In addition, our total FTE will be reduced by the vacancy savings. In other words, instead of having 11 full-time positions which is less than what it was two years ago when we had 10.58 FTE. This is going to slow us down somewhat and our expectations to have beneficiary names appearing on the statement of accounts for 1987 will probably not materialize. When we know more about the requirements of the new computer system, the office will have to be restructured to distribute the duties left by the vacant position. Currently they are spread among 3 people. The special session also transferred the 2 million dollars Social Security fund to the general fund. As you are aware, PERD was using that fund to finance their administrative operations, so that source of funding is now lost.

The Legislative Auditor's Office has begun their audit for the 1984-1986 biennium. The audit supervisor has advised me that the audit is going well with no major problems at this point. Our accountant has completed the reconciliation to their satisfaction. One item which will probably appear in the final report is our failure to close the newly retired members from active to retired status in what the auditors term an acceptable time frame. We have been aware of the problem, but due to a shortage of human resources of the grade level needed to assist in this work and a larger number of retirees, we have been unable to get the job done. The addition of the new position and a more automated close-out procedure with the new computer system should resolve the problem in the future.

Jim Ferron, Accounting Specialist III resigned effective July 11. Jim's wife is returning to school in Missouri for her master's degree in psychology. Jim put in a lot of overtime in completing the reconciliation for the auditors and was a positive addition to our staff during the two years he was employed. We will all miss him and wish him well in the future.

Executive Secretary's Report - Continued
August 1, 1986
Page Two

The accountant position has been advertised and twelve applications were received. The quality of the application was very good and we hope to fill the position sometime in August. Having the position vacant at the end of the fiscal year is not a desirable situation as well as in the middle of an audit.

The landscaping of our former parking lot is just about completed and the area blends well with the new Natural Resources Building. So far we have had few problems with the new parking lot, but there will be some design changes in the sidewalks that were made without our approval.

202

TEACHERS' RETIREMENT BOARD MEETING

August 1, 1986

The meeting was called to order by Chairman Kearns at 9:00 a.m. Those in attendance were:

J. William Kearns, Jr., Chairman
Edward F. Argenbright
James E. Burke
LeRoy Corbin
Kenneth Meske
J. Thomas Ryan
Mary L. Andridge
F. Robert Johnson
Beda Lovitt

Chairman Kearns noted that Nancy Walters of the Montana Education Association was present and introductions were made.

Approval of the board minutes for the meeting of April 16, 1986 was the first item of business. Mr. Ryan moved that the minutes be approved as read. Mr. Corbin seconded the motion. The motion passed unanimously.

The budget report, investment report and mortgage report were next considered. Mr. Corbin asked about the surplus in contracted services. The Executive Secretary said that the new computer system budget has not been totally expended. Mr. Argenbright asked if there was a lot of re-financing going on in the mortgage area. Chairman Kearns said that there was and Mr. Meske noted the large amounts of pre-payments. The Assistant Executive Secretary then gave a status report on all mortgages, three or more months delinquent. Mr. Ryan moved that the budget report, investment report and mortgage reports be approved. The motion was seconded by Mr. Argenbright. The motion passed unanimously.

The Executive Secretary's Report was then reviewed and Chairman Kearns asked for the Executive Secretary's comments. The decrease in retirement applications was discussed as well as the decision to fund the pay increases through vacancy savings. The Executive Secretary said that it would be his recommendation that we ask for a full-time FTE for the general clerk's position, if in fact, we do lose the FTE associated with the vacancy savings. He stated that we need a staff of eleven people to meet the demand of services required by our membership, as well as to comply with the law. He also commented on the Legislative Auditor's concern as to the problem of closing out active members to retired status and the Assistant Executive Secretary added some additional comments as to why the close-outs were not completed earlier. The Executive Secretary said that he and the Assistant Executive Secretary interviewed four people for the Accounting Specialist III position and that Sharon McCabe of the Legislative Auditor's Office was selected. Mr. Meske then moved

that the Executive Secretary's Report be accepted, Mr. Burke seconded the motion and it passed unanimously.

Old Business was the next item of business and the letter from William Poston, Superintendent of School District Number 2, Yellowstone County indicating that they would not pay the interest that had accrued on the employee contributions for certain headstart employees that were not reported to the Teachers' Retirement System. The Executive Secretary summarized the facts and after some discussion, it was the consensus of the Board that School District No. 2 should be liable for the interest on the employee contributions. Mr. Corbin moved that we pursue collecting the interest by the use of legal action and that we also notify the people involved of this decision. Mr. Meske seconded the motion and the motion passed unanimously.

The next item of new business was disability guidelines. The Executive Secretary said that at the last meeting the Board directed the Executive Secretary to investigate what other states may be doing in the area of disability and whether guidelines were available. He said that he sent letters to 10 states and received replies from nine of the ten, but very little in the way of specific guidelines. He had distributed a short report of the survey which was included in the board packet. Discussion followed about using physicians to evaluate the applications and subsequent cost. It was suggested that a list of doctors who would be willing to review the applications be secured. The Chairman then directed the Executive Secretary, Assistant Executive Secretary and the attorney to work together on some possible guidelines for the next meeting.

Chairman Kearns noted that legislation was the next item of business. The Executive Secretary said that at the last two meetings the Board discussed the possibility of coming up with legislation or an administrative rule on sabbatical leave. He reviewed the current practice of giving full-time credit when contributions are received on part-time salaries. In the University System, sabbatical leave is 2/3rds of salary, while there is no consistent policy in the public schools. The proposal would grant service on the basis of the part-time salary but the member would have the opportunity to receive full-time service credit by making the additional contributions on the salary that would have been earned full-time. Letters from the University System and the Montana Education Association were received and their comments were included in the board material. Mr. Meske asked Nancy Walters if she cared to comment. Ms. Walters said that MEA's position would be no change in the current policy, but that consideration might be given to some type of compromise to provide that the employer would pay contributions on a full year basis. Mr. Corbin said that it is an unfunded source and the Board is committed to correct these types of things. It was decided that it be researched and the Executive Secretary was instructed to have a draft at the next meeting.

The report of the social security number matches against deaths recorded by Pension Benefit Information was next reviewed.

The report listed the total matches and the status of those matches as investigated by TRS staff. The Executive Secretary said he was very pleased with the results and that the cost of under \$500.00 was well worthwhile.

Chairman Kearns said the next item of business was the status of the grade appeal of the Executive Secretary's position and Chairman Kearns noted that he had just this morning received a letter from John McKeown of the Personnel Division and copies of the letter which upheld the current grade classification were then passed around to each board member. Discussion followed as to what additional avenues of appeal were open to the Board such as appealing the decision to the Personnel Department or Board of Personnel Appeals. Mr. Argenbright then moved that we appeal the classification and request the documentation which supported the decision to deny the upgrade. Mr. Ryan amended the motion to state that we have the information before we appeal the decision. Mr. Meske then seconded the amended motion. The motion to appeal and the amendment passed unanimously.

The report of the NCPERS Conference which was attended by the Assistant Executive Secretary and Mr. Burke was the next order of business. Mr. Burke said that some highlights were that pension funds were over a trillion dollars in assets and 21% of this amount was in stocks and 30% in bonds. Representative Pat Williams talked about tax reform and later there was a session on social investing and the legal problems that can be involved. A session on voting proxies and the influences that retirement systems can have in voting on those issues. There was a discussion on the need to constantly review the benefit package to give people the most for their money. Also, an interesting talk from an individual from Wesleyan College and head of the Russian Research Center which occurred about the same time as the nuclear blow-up and how the Russian government likes to keep those things quiet because of revolutionary forces. 86% of their money comes from oil and gas imports, therefore, with current prices, they have to be hurting somewhat. He added the same climatologist that spoke at the NCTR was there and scared the heck out of everybody. There was a session on pre-retirement planning and South Carolina is kind of the leader in that area and the agency to contact for information. The Assistant Executive Secretary said that in the pre-retirement program the speaker said that the American Association of Retired People does a real good job in this area, but usually there is not enough time or staff to get the job done. She added some things you must stress in pre-retirement such as medical check-ups, exercise, issues of housing, legal problems that occur when there is a death. She mentioned that Pat Williams talked to them about the elimination of the 3 year cost recovery rule in tax reform and that there could be a considerable loss of revenue if eliminated. Chairman Kearns mentioned in response to Mr. Burk's remarks on social investing that no teachers money is going into Columbia Falls or Butte. The money being invested is strictly coal tax money, but that if the TRS Board has any concerns or comments they are welcome to make them to him or by either to the Board of Investments.

Chairman Kearns then asked if there were any comments about the goal setting meeting. The Board agreed that they would like to receive a copy of the report immediately and then discuss it at the next meeting.

Mr. Ryan inquired whether we could inform the Board of Investments without a letter that the Board is concerned with the investments. Chairman Kearns said that it even helps to write a letter and anytime you want to give them some direction, a letter is of big help.

Chairman Kearns said that before the board is reorganized he would like to make some comments that two of the three goals be set are pretty much on the mark, the third, the Minnie Fullam Fund did not get off the ground, but the goal setting and implementation of the new computer system is well under way.

In regard to reorganization of the Board, Chairman Kearns said that two members of the Board were in line for Chairman, Ken Meske or Jim Burke and that nominations were in order. Mr. Burke nominated Mr. Meske and moved that nominations be closed to show a unanimous vote. Mr. Corbin seconded the motion and it carried unanimously. Mr. Ryan then moved that Mr. Burke be Vice-Chairman. Mr. Argenbright seconded the motion. The motion passed unanimously. Mr. Meske then assumed the role of Chairman and thanked the Board for their vote of confidence.

The meeting with Dan Freund, Executive Secretary of the Montana High School Association was next discussed.

The Executive Secretary said that there were some issues that should be recognized and are discussed in the memorandum to the Board. Mr. Burke said that he may not be at the afternoon session but that he would be opposed to do it. Chairman Meske then mentioned that our position this afternoon will be to listen to them and then vote on the issue.

The next item of new business was the matter of teaching assistant's. The Executive Secretary said that we are currently having a problem determining whether teaching assistants in another state would qualify as out-of-state service. A number of the University System Units do not have teaching assistants so we have been asking for additional information in order to compare the experience with positions in Montana. He added that the majority of teaching assistants are part-time teachers and these individuals are supplementing their income while going to school. He said that graduate assistants are excluded from membership by board rule. The Assistant Executive Secretary said that the title is what is causing the confusion as it doesn't mean the same thing in all states. Mr. Burke moved that a rule be prepared for the next meeting for consideration. Mr. Corbin seconded the motion and it carried unanimously.

The 1987-89 budget was next on the agenda. The Executive Secretary said that the Board will not have the opportunity to review the budget before it is submitted to the Budget Office. The Budget Office turned down our request for a newsletter, which

225
submitted earlier as a modified budget request. The budget is due in two weeks, so a copy of the proposed budget will be submitted to the Board at their next meeting.

Chairman Meske then said selection of delegates to the NCTR Conference in Maui, Hawaii, September 27 - October 3, 1986 was the next order of business. He noted that the individuals in line are Bill Kearns and Bob Johnson. Mr. Burke moved that Mr. Kearns and Mr. Johnson be authorized to attend. Mr. Ryan seconded the motion. The motion passed unanimously.

Mr. Argenbright then said that the meeting of the Chief State School Officers that he recently attended, discussed the Carnegie Report on Teaching and Teachers' and has a whole lot of future directions from a well funded Carnegie Group. He said, in the report they are looking at a national certification board for teachers, and the implications for the Teachers' Retirement Board might be that there will be a move to revitalize the profession of teaching to make it easier for teachers to move around the country. Chairman Meske commented that this could lead to a national retirement system. Mr. Argenbright said some other ideas such as restructuring school staffs and lead teachers, instructors and aides and more discretion for teachers to enhance the profession, eliminate the undergraduate degree in education, thereby getting a degree and serving an internship and minority participation is also a part of the report. Mr. Argenbright said it is a report that the Association of School Administrators although having reservations, they were going to have a positive attitude and the AFT has endorsed the report so the Board will probably be hearing more. Chairman Meske commented that it looks like we have a lot to watch for in the educational field in the next few years.

Mr. Kearns indicated that about 11:15 we should go into executive session and Chairman Meske asked the Executive Secretary if there were any new business. He said that just this morning we received a letter from William E. Larsen requesting that he be given free military service for time served in the U.S. Public Health Service as a commissioned officer during war time. He was denied the service in 1975 and was now appealing the decision to the Board and had provided further documentation to substantiate his case. Chairman Meske asked if the Executive Secretary was saying our statute does not allow this type of service? The Executive Secretary said that it was denied on the basis that it has to be active military duty. He added that the governing statute was repealed in 1971. After some discussion and the fact that he was entitled to veterans benefits, Mr. Burke moved that it be referred to legal counsel. Mr. Kearns seconded the motion. The motion passed unanimously.

The Executive Secretary said that there was another matter of new business that has to do with membership eligibility. A problem has arisen in the consolidation of teaching and non-teaching duties. An example is an athletic director who is going to assume pupil transportation and school maintenance responsibilities. The question is whether this individual is eligible for membership under TRS or PERS. Would he be eligible

to retire from TRS and become covered under PERS and start accruing benefits there? The law which defines teachers says it can be someone on the administrative staff that has a teaching certificate. The position, therefore does not always determine membership eligibility but the qualifications of the individual occupying the position. In this environment we are going to see more and more of this as cost savings measures and the statutes are not clear as to membership. They currently must be a teacher who is certified or employed in an instructional capacity. Mr. Ryan moved that we put it on the agenda for the next meeting. Mr. Kearns seconded the motion. The motion carried unanimously.

The next item of business was the regular retirements, survivor benefits and adjustments to previously approved benefits. Mr. Kearns moved for approval and the motion was seconded by Mr. Burke. The motion passed unanimously.

At this point, Mr. Kearns moved that the Board go into executive session to discuss personnel matters. Mr. Ryan seconded the motion. The motion passed unanimously. Chairman Meske requested that only board members remain present.

The meeting was then adjourned for lunch.

Chairman Meske called the afternoon session to order at 1:10 p.m. and business reverted to consideration of disability applications until Mr. Freund arrived. Mr. Burke was not able to attend the afternoon session.

The first disability application was that of Helen Dodd. After some discussion, Mr. Kearns moved the disability be approved. Mr. Rayn seconded the motion. The motion passed unanimously.

The application of Helen Hashley was next considered and upon review of the evidence submitted Mr. Corbin moved for approval. Mr. Kearns seconded the motion and the motion carried unanimously.

The third application was from Paul Jennings. After reviewing the attending physicians statement and discussing the nature of the illness, Mr. Corbin moved that the Executive Secretary ask for an additional opinion from the other physician familiar with the case and that the member secure a statement from his employer. Mr. Argenbright seconded the motion. The motion passed unanimously.

At this point, Dan Freund, Executive Secretary of the Montana High School Association entered the meeting. Chairman Meske introduced Mr. Freund to everyone present and said that meeting was open for his comments. Mr. Freund thanked the Board for letting him appear today and said he would be as brief as possible. He said he is looking into the possibility of the Montana High School Association executive officers becoming a part of the Teachers' Retirement System rather than their own. He said the Teachers' Retirement System is a better system than

they have and that all of the executive officers were former teachers and the MHSA is totally education related and in light of that, everything they do is tied to school districts. Mr. Freund said he has the support of the MHSA Board of Director's and that they initiated the idea. He had talked to Alton Hendrickson who is the administrator of the MHSA pension plan about some of the problems and he realized that there would have to be a change in the membership provisions and he is simply asking whether the Board would support legislation of this kind or whether there are some serious problems. Mr. Kearns said that we do have guidelines in regard to membership and approving this may open the door to our intended coverage area. Chairman Meske said that the present system relies on employee and employer contributions and the employer contributions are tax funds, but the MHSA funding is not truly tax funds. Mr. Freund said that the dues received from school districts can be from tax sources but the major source of funding for the MHSA is boys basketball tournaments, which constitute about 70% of their funding. He said the dues structure are very low and very minimal. The Executive Secretary said that as administrator his two concerns are possible additional reporting requirements of ERISA, however, the states who have allowed membership for private associations have experienced no problem. The other problem is the unfunded liability which would be created by the past teaching service. He said the liability according to our actuary would be in the tens of thousands of dollars per individual. Mr. Freund said that the relatively small group would not affect the funding. The Executive Secretary said that if membership were allowed it would have to be understood that employee contributions would have to be withheld and Mr. Freund said he understood this. Mr. Freund said that if he did not have the support of the Board and its Executive Secretary they don't want to cause any problems and if the TRS Board didn't feel that the MHSA should be a part of the System, he would hesitate to have legislation drafted. Mr. Corbin said we have to be concerned about the future and the consequences. Mr. Argenbright said that from his point of view they think of the MHSA as a local organization and would not like to think of them as part of the State. Mr. Kearns asked if there was a requirement that the executive officers be teachers and Mr. Freund said that there is no requirement that they be teachers. Mr. Kearns then asked why they wanted to be a part of TRS. Mr. Freund replied that he had 19 years as a teacher and only 10 with the MHSA. Chairman Meske then asked if there were any further questions, and there being none, thanked Mr. Freund for his presentation and advised him that the Executive Secretary would be in touch with him regarding the Board's decision. Mr. Freund then left the meeting. Mr. Ryan moved that the Board not take any action until Mr. Burke has been informed of what has taken place. The motion was seconded by Mr. Corbin. The motion passed unanimously.

Chairman Meske then moved the order of business back to disabilities and the application of George W. Kerscher. Mr. Argenbright moved that the application be approved. Mr. Kearns seconded the motion. The motion passed unanimously.

The application for Michael G. McMahon was next reviewed. Mr. Corbin moved for acceptance. Mr. Ryan seconded the motion and it was approved unanimously.

The application for Henry G. Neidhardt was next considered. The Executive Secretary indicated that Mr. Neidhardt was approved for disability retirement last year at school end but Mr. Neidhardt returned to employment in September, at which time his benefit was stopped and he then completed the full school year and was again applying for disability benefits. Mr. Neidhardt had indicated that he was on leave of absence which makes it questionable as to whether he is eligible for a disability benefit. The attorney said the law states the disability must have caused the member to retire and that it be total and permanent so the law is quite narrow in that respect. She added that you don't have a temporary disability statute, but one that allows a disability retirement. Considerable discussion followed concerning the fact that his condition was of a serious nature and that he may not be able to return to work. The Assistant Executive Secretary said there is a board rule which states the disability is effective the first of the month following termination from the payroll. After further discussion, Mr. Kearns moved that the disability be approved provided Mr. Neidhardt furnishes the Board with a statement that he is retired. Mr. Argenbright seconded the motion. The motion passed unanimously.

The next application was from Philip J. Hess. After reviewing the information submitted, Mr. Kearns moved for approval. Mr. Argenbright seconded the motion. The motion carried unanimously.

The application from Sharon M. Hoover was then considered. After a brief discussion of the nature of the illness and debilitating affect Mr. Corbin moved that the application be approved. Mr. Kearns seconded the motion. With Mr. Ryan abstaining and the Chairman voting for approval of the motion carried.

The final application was for Kellogg O. Lyndes. After some discussion about the questionable nature of the illness qualifying for a disability, Mr. Kearns moved that we receive a statement from an orthoped or neurologist that he is physically incapacitated for the further performance of his teaching duties. Mr. Corbin seconded the motion. The motion carried unanimously.

The Board then set the next meeting date for September 24 and 25.

There being no further business, Mr. Kearns moved that the meeting be adjourned. Mr. Corbin seconded the motion. The motion carried unanimously.

RETIREMENT LISTINGRETIREMENT APPLICATIONS - APRIL, 1986

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Gamas, Warren H.	Valley	29.67	\$1,553.62	53
Hjellum, Debbie V. (Retro to 01-01-86)	V.R.	15.33	241.33	50
Rompel, John D. (Retro to 01-01-86)	M.S.U.	21.59	542.41	55
Sperry, Ray T.	M.S.U.	25.64	1,420.96	50

SURVIVOR APPLICATIONS - APRIL, 1986

Shook, Robert R. (Survivor of Michael Shook)	Ravalli	8.44	203.33	59 34
---	---------	------	--------	----------

ADJUSTMENTS - APRIL, 1986

	<u>FROM</u>	<u>TO</u>
Coffin, Jack L. Adjustment for use of correct salary.	\$ 194.09	\$ 195.48
Connor, James W. Adjustment for use of personal leave day.	901.30	902.49
Cox, Henry S. Adjustment for use of additional salary.	1,272.85	1,277.86
Doohan, Thomas P., Sr. Adjustment for use of actual termination pay amount.	785.44	788.78
Small, Aaron P. Adjustment for use of additional termination pay.	1,468.66	1,470.34
Warne, Earl Adjustment for use of additional termination pay.	1,955.78	1,957.89

RETIREMENT LISTINGRETIREMENT APPLICATIONS - MAY, 1986

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Allen, Ronald L. (Retro to 08-01-85)	Big Horn	23.19	\$ 761.73	53
Clapham, Robert D. (Retro to 07-01-85)	Big Horn	13.00	418.00	57
Morrissett, Elizabeth	MT. Tech.	6.00	248.33	66

SURVIVOR APPLICATIONS - MAY, 1986

McCabe, Dean E. (Survivor of Janis K. McCabe)	McCone	12.84	414.47	38 37
Nelson, Janet A. (Survivor of Robert E. Nelson)	Cascade	31.60	1,369.83	55 56

ADJUSTMENTS - MAY, 1986

	<u>FROM</u>	<u>TO</u>
Boeshans, Oscar J. Adjustment due to incorrect service on computer. (Retro to 07-01-85)	\$ 561.78	\$ 560.40
Christensen, Don H. Adjustment for use of actual salary. (Retro to 07-01-85)	1,027.94	1,050.21
Collier, Dolores H. Adjustment due to purchase of one year of private teaching service. (Retro to 07-01-79)	349.19	350.69
Davidson, V. G. Change of Beneficiary and Option	484.82	373.94
Davies, Doris C. Adjustment due to incorrect service on computer. (Retro to 07-01-85)	536.53	536.58
Davis, Clifford V. Change of Beneficiary and Option	648.67	525.88
DeLapp, Alice E. Adjustment due to wrong service credit on computer. (Retro to 07-01-85)	535.67	535.39
Eliason, Neil H. Additional wages received. (Retro to 07-01-85)	1,221.29	1,222.62

RETIREMENT LISTINGADJUSTMENTS - MAY, 1986

	<u>FROM</u>	<u>TO</u>
Fitzpatrick, Natalie Adjustment due to leave-without-pay. (Retro to 07-01-85)	\$ 667.60	\$ 665.05
Fleming, Anna M. Adjustment for use of actual salary. (Retro to 07-01-85)	382.79	381.64
Rompel, John D. Termination pay received. (Retro to 01-01-86)	542.41	567.43

RETIREMENT APPLICATIONS - JUNE, 1986

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Fitschen, Stuart E.	V.R.	14.00	121.94	60
Lamb, Carl C.	V.R.	8.25	82.50	60
Orlich, Ethel P. (Retro to 07-01-81)	V.R.	12.78	101.60	57
Swager, Doreen M. (Retro to 01-01-83)	V.R.	8.44	98.14	61

ADJUSTMENTS - JUNE, 1986

	<u>FROM</u>	<u>TO</u>
Collier, Dolores Purchase 1 year private teaching service. (Retro to 05-01-86)	\$ 350.69	\$ 369.26
Evanko, Evelyn Service credit in error on computer system. (Retro to 07-01-85)	330.26	330.28
Fowler, Hazel Service credit in error on computer system. (Retro to 07-01-85)	749.89	749.84
Gilmore, Doris Salary Discrepancy (Retro to 07-01-85)	1,028.72	1,027.39
Hahn, Bert W. Salary overstated on application. (Retro to 07-01-85)	569.89	569.59
Heinrich, Ilene C. Salary Adjusted (Retro to 01-01-86)	718.60	717.69

RETIREMENT LISTINGADJUSTMENTS - JUNE, 1986FROMTO

Jackson, Frances Salary understated on application. (Retro to 07-01-85)	\$1,349.92	\$1,358.67
Kelly, Margaret R. Salary understated on application. (Retro to 07-01-85)	806.85	808.06
Knebel, Edward W. Summer salary not utilized. (Retro to 07-01-85)	2,225.38	2,229.07
Krimmer, Walter T. Salary overstated on application. (Retro to 07-01-85)	1,310.15	1,302.66
Mars, Ann M. Salary overstated on application. (Retro to 07-01-85)	443.52	435.35
Tollefson, Berniece W. Salary overstated on application. (Retro to 07-01-85)	1,070.15	1,068.76
Townsend, Eugene C. Wrong factor utilized. (Retro to 07-01-85)	1,010.68	1,006.92
Spinti, Carl I. Incorrect military service utilized in calculation of service credit. (Retro to 07-01-85)	1,351.87	1,359.86

RETIREMENT LISTING

<u>RETIREMENT APPLICATIONS - JULY, 1986</u>	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Agnew, Jessie E.	Yellowstone	28.00	\$1,109.58	62
Agocs, Herbert R.	MSU	32.33	1,513.87	56
Altmaier, Thomas J.	Lewis & Clark	27.00	1,147.91	53
Anderson, Lawrence W.	Lake	28.00	1,230.74	52
Baier, John Jr.	Gallatin	26.30	879.73	62
Barnett, Margaret J.	Missoula	24.28	922.38	58
Barnhart, Robert W.	MSU	5.27	162.30	58
Bartholomew, Margaret	Deer Lodge	27.00	932.36	66
Bauer, Delilah	Yellowstone	24.78	875.26	61
Beecher, Shirley A.	Yellowstone	19.00	715.55	60
Betz, Russell	Ravalli	28.00	1,154.50	51
Bieber, Jeanette J.	Eastern	25.00	1,335.71	49
Blackburn, Kenneth C.	Fergus	18.50	779.85	59
Bleken, Margaret E.	Cascade	14.00	465.77	61
Boehmler, Doris	V. R.	16.05	449.74	59
Booras, Peter G.	Yellowstone	10.76	257.20	66
Bowers, Priscilla	Rosebud	30.00	1,130.57	65
Brautigan, Fred	Yellowstone	26.75	1,132.66	51
Briggeman, Dale M.	Missoula	18.00	513.22	62
Bullock, James C.	Missoula	30.76	1,325.31	54
Calcaterra, Mary S.	Silver Bow	42.00	1,479.90	61
Cantrel, Frances C.	Lake	28.00	781.38	61
Carlson, Russell S.	Hill	27.00	2,311.34	41
Carroll, James C.	Fergus	32.84	1,365.35	60
Chapman, George H.	Yellowstone	37.42	1,427.49	61
Christensen, Lois G.	Flathead	24.44	684.74	65
Clabaugh, Guy M.	Hill	17.00	510.13	61
Clement, Richard C.	Cascade	25.00	1,533.55	47
Cline, Irene S.	Carter	20.27	340.68	62
Clubb, Merrel D.	U of M	38.33	1,920.77	65
Cole, Marvelle E.	Yellowstone	10.86	254.45	56
Crane, Ruth J.	Powder River	18.75	332.47	60
Crumpacker, Maxine M.	Pondera	29.00	995.70	61
Dahl, Francis E.	Richland	33.58	1,646.34	56
Dayton, Irving E.	MT Tech	31.00	3,135.30	59
Dickey, Mary L.	Yellowstone	9.30	251.65	69
Ditton, Clara O.	Gallatin	34.33	1,235.70	61
Durkin, Edward F.	Deer Lodge	32.56	1,004.74	57
Edelman, David L.	MT Tech	14.62	622.18	66
Ehli, Richard J.	McCone	35.34	1,278.07	60
Faust, Bonnie J.	Missoula	19.00	667.83	65
Faust, Richard A.	U of M	37.53	1,587.27	65
Fenton, Irene C.	Silver Bow	21.56	792.08	63
Fretland, Clinton W.	Custer	34.42	1,091.23	61
Frost, Floyd C., Jr.	M.S.U.	37.00	1,444.90	62
Furlong, Noel D.	Flathead	36.50	1,871.59	51
Galbreath, Barbara J.	Glacier	25.00	888.69	41
Gardner, Barbara J.	Roosevelt	34.00	1,204.56	52

RETIREMENT LISTING

<u>RETIREMENT APPLICATIONS - JULY, 1986</u>	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Garrett, Charles P.	Lewis & Clark	20.00	\$ 741.19	53
Garry, John C.	W.M.C.	38.50	1,713.60	63
George, Carra B.	Yellowstone	24.12	939.27	65
Glock, Doris S.	Yellowstone	27.00	1,127.90	61
Goodian, Kenneth W.	Lewis & Clark	38.17	1,988.63	62
Goyette, Edwin D.	Rosebud	33.75	1,796.19	58
Graves, Robert D.	Yellowstone	31.83	1,484.29	58
Gray, Mary W.	Gallatin	30.00	1,284.31	65
Gruenert, Patricia M.	Yellowstone	21.00	809.20	62
Gustin, Delbert L.	Lewis & Clark	25.00	1,282.35	47
Hackney, Wayne B.	Yellowstone	25.00	1,181.03	47
Hajenga, Louise	Wheatland	33.00	958.79	64
Hall, Gary E.	Yellowstone	26.75	1,197.13	56
Hamman, Alice E.	McCone	30.38	1,081.23	58
Hansen, Harold C.	Yellowstone	29.83	1,169.59	51
Hashley, Helen B.	Chouteau	26.00	808.37	61
Haugen, Raymond C.	Flathead	28.50	1,765.42	58
Hayes, Thomas H.	U of M	26.00	1,287.08	50
Hodgman, Patricia J.	Lewis & Clark	20.00	756.19	64
Hoover, Orville L.	Cascade	27.00	1,179.29	50
Irwin, Arne W.	M.S.U.	5.00	341.59	64
Lowland, Carroll R.	Gallatin	25.00	1,035.94	55
Howard, Dora O.	Lewis & Clark	29.00	1,041.58	62
Hunt, John J.	U of M	32.00	1,968.55	57
Hunt, William A.	M.S.U.	32.75	2,241.86	56
Hunthausen, Anthony A.	Jefferson	25.92	905.27	60
Iams, Jeffrie L.	Yellowstone	27.75	1,270.92	51
Ironhawk, Julia C.	Rosebud	5.18	133.38	63
Irwin, Goldie E.	Lake	37.00	1,372.16	57
James, Richard H.	U of M	30.00	1,293.40	55
Johnson, Donna M.	Dawson	16.33	433.72	59
Kain, Lawrence T.	M.S.U.	25.23	1,725.59	57
Kelly, Beverly J.	Dawson	26.77	892.33	52
Kemmesat, Dolores	Powell	25.00	788.29	57
Kennedy, Gary L.	Big Horn	25.00	849.49	50
Kesler, Dorothy R.	Dawson	31.25	537.51	66
Kildahl, Marvin K.	Cascade	38.00	2,045.00	60
Kilpatrick, Thomas E.	Yellowstone	28.00	1,028.82	55
Kimberley, Bervyl C.	Yellowstone	32.33	1,304.55	57
King, Donald A.	Jefferson	38.83	1,823.04	63
Lackschewitz, Gertrud	U of M	26.00	1,055.57	63
Larkin, Floyd D.	Powell	34.14	1,714.39	56
Larsen, Edith L.	Flathead	38.00	1,157.38	62
Leitch, Frederik M.	Pondera	24.66	1,433.86	55
McDonald, Edna M.	Yellowstone	20.00	849.20	59
Thlum, Nellie R.	Flathead	39.00	1,185.77	66
Manthie, Charlotte	Missoula	25.56	797.99	57
Marchello, Patricia E.	Carbon	15.00	336.74	53

RETIREMENT LISTING

<u>RETIREMENT APPLICATIONS - JULY, 1986</u>	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Markell, Virginia B.	Lewis & Clark	37.00	\$1,220.21	61
McClure, Donald K.	Yellowstone	22.75	858.40	60
McComb, Aileen M.	Pondera	32.33	1,110.04	65
McCulloch, Myrna L.	Lewis & Clark	25.23	1,309.18	50
McDowell, Viola	State Depart.	25.27	760.15	60
McIntosh, Jean A.	Silver Bow	13.89	273.90	58
McKenney, Lorna M.	Yellowstone	30.89	1,088.51	62
McMullin, Richard R.	Dawson	44.00	1,618.73	63
Mehlhose, Jack R.	Jefferson	20.00	520.19	60
Melton, William G. Jr.	U of M	35.02	1,635.53	63
Merley, Richards H.	Lewis & Clark	36.00	1,471.97	65
Meske, Kenneth M.	Cascade	28.83	1,234.70	51
Micheletti, Alex J.	Yellowstone	26.89	1,041.27	50
Miller, James D.	Cascade	31.18	1,269.62	55
Mitchell, Gile H.	Beaverhead	26.92	1,916.33	55
Moran, William C.	Stillwater	28.83	1,227.83	52
Motil, Irene K.	Cascade	45.00	1,315.59	66
Moulton, Lillian M.	Yellowstone	8.85	252.93	65
Nakamura, Mitsuru J.	U of M	34.17	1,702.92	60
Neill, Howard J.	Judith Basin	23.83	584.98	61
Neill, M. Lurene	Judith Basin	32.78	929.82	61
Nesbit, Betty Ann	Yellowstone	37.00	1,538.90	51
Nicholson, Homer, Jr.	Yellowstone	25.00	1,120.26	53
Nielsen, Ernest W.	Valley	27.00	1,178.75	50
Oursland, Virginia A.	Flathead	25.01	881.34	50
Owen, Thomas W.	Stillwater	26.38	746.02	52
Pearson, Margaret M.	Yellowstone	36.12	1,331.46	64
Pellant, William R.	Fergus	27.42	1,477.81	56
Perry, Thomas C.	Flathead	22.08	701.62	68
Peters, Kathleen E.	M.S.U.	12.40	336.70	63
Pettinato, Frank A.	U of M	31.33	1,620.27	65
Pfrimmer, Carolyn A.	Flathead	35.00	1,399.40	54
Phelan, Eleanor	Yellowstone	27.56	1,300.98	59
Piatt, John S.	Cascade	20.00	784.57	62
Pomroy, Thomas P.	Silver Bow	30.58	1,451.95	52
Powers, Anita E.	Hill	25.00	1,066.55	61
Raymond, Lila M.	Phillips	42.00	1,329.74	60
Reinholtz, Richard B.	U of M	34.75	1,547.17	60
Rhode, Harold T., Jr.	Yellowstone	16.00	501.24	56
Rice, George E., Jr.	M.S.U.	34.33	1,680.28	62
Richards, Eugenie E.	Powder River	34.00	1,011.03	66
Rider, Donald A.	Missoula	26.00	1,241.51	48
Robertson, Thelma	Toole	29.00	685.28	53
Romine, Boyd E.	Chouteau	31.92	1,825.26	55
Roth, Kenneth J.	Yellowstone	37.92	1,553.36	61
Ruder, Ruth B.	Chouteau	10.75	71.67	61
(Retro To 10-01-75)				
Salo Dorothy A.	Silver Bow	25.33	1,037.36	47

RETIREMENT LISTING

<u>RETIREMENT APPLICATIONS - JULY, 1986</u>	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Scheer, Alfred C.	M.S.U.	39.92	\$2,054.76	60
Schumacher, Adeline R.	Flathead	37.66	1,588.15	62
Sharp, Roberta	Lake	20.56	626.85	62
Sindelar, Robert S.	Yellowstone	30.00	1,732.24	52
Skorupa, Alvina C.	Carbon	23.34	612.25	65
Smeltzer, Elizabeth L.	Fallon	38.00	1,247.00	61
Smyrl, Elmira S.	M.S.U.	29.00	1,225.57	67
Sonstelie, Lawrence C.	Flathead	22.67	868.88	62
Sorkness, Johanna H.	Chouteau	37.45	1,207.66	61
Spivey, Joe E.	Yellowstone	33.42	1,617.15	57
Sterling, Edward L.	Yellowstone	24.08	989.57	60
Stone, William E.	Daniels	36.67	1,537.11	63
Stutsman, Juanita M.	Gallatin	45.46	1,951.96	69
Sullivan, Gerald D.	M.S.U.	33.00	1,833.14	55
Swan, Adeline R.	Meagher	42.00	1,132.63	62
Swenson, Constance A.	Roosevelt	6.00	179.63	66
Tallman, Carol E.	Yellowstone	28.00	1,254.97	50
Thomson, Fred W.	Ravalli	22.58	987.80	59
Umbre, Ruth	M.S.U.	25.03	1,181.58	62
Uy, Kathleen F.	Lewis & Clark	20.00	608.70	67
Varley, Roy H.	MT. Tech.	14.00	792.78	55
Van Matre, Ruth N.	Silver Bow	25.39	1,030.80	59
Vossler, Melvin M.	Wheatland	29.75	1,549.16	52
Walton, Zella M.	Lewis & Clark	33.00	1,540.04	62
Weber, Sophia D.	Gallatin	22.37	907.13	59
Whaley, Phillip A.	Pondera	10.00	614.24	60
Williams, Benjamin O.	Park	30.00	1,161.31	54
Willis, Marlan P.	M.S.U.	19.00	780.31	58
Wilson, Curtis V.	Carter	25.95	1,011.21	57
Winsky, Effie E.	Wheatland	28.00	470.73	55
Winstead, Shermilla	Gallatin	7.78	211.17	65
Wirtz, Sharon C.	Lewis & Clark	30.00	1,414.95	52
Wirtzberger, Marlys E.	Phillips	29.57	1,019.96	59
Wolslagel, Don H.	Roosevelt	24.00	1,244.25	52
Woodhull, James F.	Park	25.08	1,170.88	50

SURVIVOR APPLICATIONS - JULY, 1986

Woolsey, George	V.R.	21.41	208.58	65
(Survivor of Gertrude Woolsey)				66
(Retroactive To 08-01-82)				

RETIREMENT ADJUSTMENTSADJUSTMENTS - JULY 1986

	<u>FROM</u>	<u>TO</u>
Evans, Richard Adjustment to reflect use of actual salary. (Retro to 07-01-85)	\$ 739.69	\$ 752.63
Hanson, Doris Adjustment in survivor benefits to reflect the use of termination pay. (Retro to 08-01-85)	612.17	619.76
Henn, Margaret Leave without pay during 1984-1985. (Retro to 07-01-85)	401.30	399.74
Hoffman, Samuel Adjustment to reflect use of termination pay. (Retro to 07-01-85)	979.70	981.19
Jones, Donna Salary overstated due to insurance. (Retro to 07-01-85)	502.44	501.71
Larson, Harvey Adjustment to reflect the use of the correct salary for 1984-1985. (Retro to 07-01-85)	3,249.87	3,268.40
LeBlanc, Robert Adjustment to reflect use of termination pay. (Retro to 07-01-75)	1,118.60	1,126.11
Martin, David Adjustment for use of 1 1/2 days personal leave. (Retro to 07-01-85)	1,002.58	1,001.02
Matthew, Dorothy Took leave without pay during 1984-1985. (Retro to 07-01-85)	797.27	795.53
Mattingly, Altha Adjustment to reflect use of additional salary. (Retro to 07-01-85)	816.46	817.63

RETIREMENT ADJUSTMENTS

<u>ADJUSTMENTS - JULY 1986</u>	<u>FROM</u>	<u>TO</u>
McAllister, Joyce 1984-1985 salary verified wrong by school district. (Retro to 07-01-85)	1,212.32	1,209.01
McDonald, Aletha Adjustment in benefit to reflect use of termination pay. (Retro to 07-01-85)	1,579.61	1,676.68
McMaster, Marjorie Change of Beneficiary and Retirement Option.	166.87	98.97
Mollander, Dennis Adjustment to reflect use of additional earnings. (Retro to 07-01-85)	974.19	975.58
Noel, Jean 1984-1985 salary overstated on application. (Retro to 07-01-85)	1,000.05	949.08
O'Brien, Joan Adjustment to reflect use of extra salary. (Retro to 07-01-85)	671.63	677.38
Oksenholt, Erling Adjustment to use correct salary. (Retro to 07-01-85)	1,331.14	1,334.63
Parker, Charles Adjustment to include use of summer earnings. (Retro to 07-01-85)	2,331.34	2,382.92
Peterson, Robert Adjustment in benefit to include additional earnings. (Retro to 07-01-85)	1,706.77	1,711.30
Rankin, Jerome C. Adjustment to reflect the use of termination pay under Option II. (Retro to 07-01-85)	194.65	195.68

RETIREMENT ADJUSTMENTSADJUSTMENTS - JULY 1986

	<u>FROM</u>	<u>TO</u>
Reid, Raymon Adjustment to reflect the use of termination pay. (Retro to 07-01-85)	1,616.59	1,665.41
Robbins, Jean Salary overstated on application. (Retro to 07-01-85)	945.73	943.66
Ryder, Calvin Adjustment to include use of additional salary. (Retro to 07-01-85)	1,879.69	1,885.11
Saunders, Carol Adjustment to reflect use of actual salary. (Retro to 08-01-85)	1,584.57	1,608.76
Scott, Daniel Salary overstated on application. (Retro to 09-01-85)	1,333.88	1,298.68
Sperry, Ray T. Adjustment to reflect the use of termination pay. (Retro to 04-01-86)	1,420.96	1,706.32

Kenneth M. Meske

 Kenneth M. Meske, Chairman

F. Robert Johnson

 F. Robert Johnson, Executive Secretary

TEACHERS' RETIREMENT BOARD MEETINGSEPTEMBER 25, 1986

Chairman Meske called the meeting to order at 9:00 a.m.
Those in attendance were:

Kenneth Meske, Board Chairman
Edward F. Argenbright, Ex-Officio OSPI
James E. Burke, Vice Chairman
LeRoy Corbin, Active Teacher
J. William Kearns, Jr., Board Member
J. Thomas Ryan, Retired Teacher
Mary L. Andridge, Assistant Executive Secretary
F. Robert Johnson, Executive Secretary
Beda Lovitt, Chief Legal Counsel

The first item of business was the approval of the minutes of the meeting of August 1, 1986. Mr. Ryan moved that they be approved as printed. Mr. Kearns seconded the motion. The motion passed unanimously.

Next was review of the financial statements, budget report and investment report. The Assistant Executive Secretary pointed out that there has only been one month elapsed since the last mortgage report so there haven't been many changes. Chairman Meske asked about the surplus which resulted because of the new computer system not being finalized. The Executive Secretary said that the money would be carried over into the next fiscal year as an encumbered expense. Mr. Burke moved that the financial reports be accepted. Mr. Corbin seconded the motion. The motion carried unanimously.

Chairman Meske noted the next item of business was the Executive Secretary's Report and asked for comments from the Executive Secretary. He commented on the Legislative Auditor's Office which was nearing completion of the audit of activity for the past two years. He added that we would be giving presentations at the MEA Convention in Bozeman on October 16, the MFT Convention in Great Falls on October 17 and the MASBO Conference in Billings on October 17. We finally received a ruling from the Internal Revenue Service which confirms that the legislation passed on employer pickup conforms to the Internal Revenue Service rules, therefore, the regular or normal contributions required to be picked up by the employer are tax deferred. The contributions withheld on termination pay where the employee is given the three options are not tax deferred. Voluntary contributions toward the purchase of additional creditable service is not considered tax deferred since it is not a normal contribution and not required by law to be picked up by the employer. We have also received an opinion from our attorney as to whether non-retiring employees should have the three options when they receive termination pay and she ruled that they should, so a memorandum will have to be prepared to be sent to employers

advising them of the same. A copy of the status report on the new computer system as prepared by ISD was then handed to each board member. The report was just made available prior to the board meeting so there was not an opportunity to review it. Mr. Burke moved that the Executive Secretary's Report be approved as a matter of record. Mr. Corbin seconded the motion. The motion passed unanimously.

Mr. Argenbright then said that the Board should consider a stand to oppose I-27. He added that for 1985-1986, 47.6 million was collected for teachers retirement and social security. Mr. Corbin said that he would like added that a press release be drafted explaining the Board's position. Mr. Ryan added that this information should be provided the Montana Retired Teachers' Association. Mr. Argenbright then moved that the Board oppose I-27 and that a press release be prepared and the information be provided the Retired Teachers' Association. Mr. Kearns seconded the motion. The motion passed unanimously. Chairman Meske said that he and the Executive Secretary would work on preparing the press release.

Old Business was the next order of business and the first item was the 1987-89 budget. Mr. Kearns said he thought that when we prepared our mission statement that we were going to look into whether we thought the handbook was really worthwhile and possibly take that money and do some video work. Mr. Corbin said that he knows some teachers that really use the handbook. The consensus of the Board was that a video would be in addition to the handbook. Mr. Argenbright mentioned that his office did some public service spots at a minimal cost. The board members who were familiar with the videos felt that it had some real impact. Mr. Argenbright said that both MSU and the University of Montana had production capabilities. The Executive Secretary said that he and Larry Nachtsheim of PERD had discussed the possibility of a joint effort in this type of activity. Mr. Argenbright said a video outlining that there is a handbook and if you are contemplating retirement, consult your handbook, could be used in conjunction with staff meetings at the district level. The Executive Secretary said the proposed budget is primarily the effort of the Assistant Executive Secretary and he reviewed it and discussed problem areas. The Assistant Executive Secretary said that at the suggestion of the Executive Secretary that we request funds for attendance of 2 board members at the annual conferences. The Executive Secretary said this was discussed at a previous meeting and agreed by the Board that more outside exposure is needed by board members, particularly in view of the large number of board members attending these conferences by other state teachers retirement systems. After reviewing the remainder of the budget, Mr. Corbin moved for approval of the proposed 1987-1989 budget. Mr. Ryan seconded the motion. The motion passed unanimously.

Long term goals and objectives was next considered. The Executive Secretary said the Board requested we have this as an item on the agenda for this meeting so a summary of the meeting was distributed to each board member. He said the board had requested information on the cost of a toll free line and the

information was enclosed in the board packet. The monthly cost for an incoming line only was approximately \$1,200.00 a month, not including the cost of an individual manning the phone. After further discussing the summary, Mr. Burke suggested that the Board meet an hour or two on the 23rd to review the mission statement. Mr. Corbin moved that the meeting be at 4:15 p.m. and the motion was seconded by Mr. Ryan. The motion carried unanimously.

Chairman Meske noted the next item of business was the MHSA request to seek Board support of legislation which would allow the MHSA administrators to become members of the Teachers' Retirement System and that each board member had received a letter from Mr. Freund. The Executive Secretary said that Mr. Freund had met with the Board at the last meeting and Mr. Ryan moved successfully to delay any action on their request until a full board was present to vote on the matter. After some discussion Mr. Ryan moved that when the Montana High School Association is moved into the State Department of Education that they will then become eligible for membership. Mr. Burke seconded the motion. Mr. Argenbright said he did not feel that would be a wise course of action and did not believe an elective political office was the proper place for an organization of that type. After further discussion it was the general consensus that they were a private organization and not subject to laws governing state agencies although public monies were involved. Chairman Meske then called for a vote on Mr. Ryan's motion. The motion failed on a vote of four opposed to the motion, with Mr. Ryan the only aye. Mr. Argenbright moved that they be given consideration under the statutes whereby instructional personnel who are state employees are eligible for membership. Mr. Ryan seconded the motion. Some discussion ensued about the motion opening up other avenues for possible membership. With Mr. Ryan voting in favor of the motion and the remainder of the Board voting against the motion, the motion failed, four votes opposed to one vote in favor. Mr. Burke then made a motion that we deny any support to the MHSA in their effort with legislation to become part of the Teachers' Retirement System. Mr. Corbin seconded the motion. Mr. Lovitt said she thinks it is questionable to support legislation that is vague and until you see the actual legislation. After further discussion the question was called and the vote was unanimously in favor of Mr. Burke's motion. The Executive Secretary asked if the Board wanted to offer any explanation to the MHSA in our letter of denial. The explanation offered was that the Board would support legislation if they were considered state employees and eligible for membership in the Teachers' Retirement System.

The next item of business was William Larsen. Ms. Lovitt said that he was a commissioned officer in the commissioned corps of the Public Health Services. In looking for qualifying under the statute that existed at the time it read, military forces. Mr. Larsen had offered various other pieces of information and she had researched as to whether there was any case law or Attorney General's opinion where military forces had been defined. She added that it would appear that the executive order defines being entitled to all full military benefits and

considered as a member of the military service and a branch of land and naval forces. His type of classification, that of a military officer is different from staff and a regular person in the Public Health Service. As a commissioned officer he had veteran's preference, veteran's rights, and subject to recall to active duty, he does meet all requirements to receive veterans benefits, therefore, would be entitled to receive military service credit. Mr. Kearns then moved that it be allowed. Mr. Corbin seconded the motion. The motion passed unanimously.

Chairman Meske said the next item of business was consideration of the proposed disability policies and guidelines (copy attached). The Executive Secretary said that at the last meeting the Board directed the Executive Secretary, Assistant Executive Secretary and attorney to draft a set of guidelines and what is presented is the result of those efforts. He said that Section I was simply an excerpt from the Montana Codes Annotated and our attorney has suggested that we clean up the language which refers to a medical board and since we do not have a medical board, the language should be changed to read Teachers' Retirement Board. Mr. Burke asked if this was something we could take care of next legislature? The Executive Secretary said it could be done as a housekeeping measure. He said the second item the Board should look at is the definition of a permanent disability. Some discussion followed as to whether we should provide a short term disability. Ms. Lovitt pointed out that the statutes provide the illness must have caused the member to retire. The Executive Secretary said the Board could change the length of time to qualify for a permanent disability from one-year to whatever period of time they felt was appropriate. After some further discussion and review of the proposed guideline, Mr. Burke moved that the disability policies and guidelines be adopted as proposed. Mr. Ryan seconded the motion. The Executive Secretary said that copies of the guidelines would be sent with each disability application. Chairman Meske asked if we should require a signature that they have read the policy? The Executive Secretary said the disability application could be changed to include such a statement. Chairman Meske then called for a vote on the motion. The motion passed unanimously.

Chairman Meske said the next item of business was the denial of the upgrade of the Executive Secretary's position and that each member of the Board had a copy of the documentation to substantiate the decision. The Executive Secretary said the Board at their last meeting requested this information and then would consider what further action, if any would be taken. Mr. Burke said that with the current economy, he didn't see how we could pursue it further at this time. The letter was then directed to be filed.

Chairman Meske said each member had the report of the Select Committee on Health Insurance for retired public employees. The Executive Secretary said that the Assistant Executive Secretary attended the last meeting and the Chairman then asked for the comments. Mrs. Andridge then reviewed the proposals and commented that the proposal being considered has no funding. The Executive Secretary said the Committee was going to consider the

proposal from Leo Barry and take it up at their next meeting. He said Mr. Berry pointed out that the proposal being considered deals primarily with retired public employees and the resolution was supposed to address all retired public employees. The Select Committee report was then filed for informational purposes.

Chairman Meske then asked if there had been any discussion with School District Number 2, Billings and the Executive Secretary said he discussed the matter with our attorney and had provided her with the background information. Ms. Lovitt said she received a phone call from Emily Loring, Attorney for the MEA and she expressed an interest to join the suit. Ms. Lovitt told her that we haven't decided at this point in time what action will be taken. Chairman Meske then asked about the sabbatical leave situation. The Executive Secretary said that at the last meeting it was decided that we draft a rule and submit it to the member organizations for their input. At this point he had not drafted the rule due to lack of time, but his thoughts were that both the employee and employer should share in the contributions due on the full-time salary. Chairman Meske then asked if the rule on teaching assistant's and changing the law to clarify membership eligibility. The Executive Secretary said that no work had been done at this time on those issues.

Chairman Meske then asked if the Board wanted to have a legislative meeting with the various employee and employer groups. After some discussion about the merits of such meetings it was decided that it should be held on the 23rd or 24th of October. The Board directed the Executive Secretary that we advise the groups of the meeting and that the meeting be held on October 24th at 1:00 p.m. Mr. Corbin so moved and the motion was seconded by Mr. Burke. The motion passed unanimously. Mr. Corbin then mentioned legislation concerning abuse of salaries. The Executive Secretary said that a few people are re-negotiating salaries which isn't going to break the System, but you will probably see further growth or abuse in this area and it may be a good idea to further adopt some language which will restrict the type of thing. Some thoughts are limiting the increase to the average of the CPI index over the same period of time or limit the percentage of change. Mr. Argenbright offered that someone who receives a promotion during the last 3 years would be penalized and the Executive Secretary agreed that this is one of the problems and it is difficult to come up with an equitable solution. Mr. Corbin said he would like to see some kind of proposal at the meeting on the 23rd. Mr. Ryan said we could adopt legislation that would say that nothing would be used in the final 3 years if it exceeded the average salary increases of the membership. Mr. Corbin then moved that some sort of proposal be submitted on October 23. Mr. Kearns seconded the motion. The motion passed unanimously.

Chairman Meske noted that New Business was the next order of business and the letter from Laura Box. The Executive Secretary said that Mrs. Box is petitioning the Board to be allowed to buy time while she was sick during the 1975-1976 year. Due to illness, Mrs. Box was able only to work half-days during that particular school year. He said this situation has arisen before

and currently the law does not allow someone to purchase additional service of this kind. The Board has the authority to adopt a rule which would allow a person in this situation to do this, but there is no law or board rule which would allow it. Mrs. Lovitt said that the statute you are interpreting talks about that one month of creditable service shall be awarded for one or more continuous months of absence without pay. Would you want to interpret that to be part-time and do you ask for a doctor's certificate? Mr. Corbin asked if we approve this request are we establishing a rule? The Executive Secretary said you would have to go through the rule adoption procedure. Considerable discussion ensued about the content of a proposed rule and the qualifications. Mr. Burke then moved that we deny the request. Mr. Kearns seconded the motion. The motion passed unanimously.

The next item of new business was the selection of delegates to the NCPERS Convention, April 4 - 11. The Executive Secretary said the conference material will probably arrive about 6 months before the meeting and it would be an appropriate time to select the delegates. Chairman Meske noted that the rotation schedule indicates Mr. Corbin would be the representative from the Board. Mr. Kearns moved that Mr. Corbin and the Assistant Executive Secretary, Mary Andridge be the representatives. Mr. Burke seconded the motion and it carried unanimously.

Chairman Meske asked if there were any other new business and the Executive Secretary said we had received a letter from the Chairman of the Board of Public Education that has to do with supporting legislation allowing the individual assuming the position of Executive Secretary as well as instructional people of the staff to belong to the Teachers' Retirement System. Currently, the law does not allow anyone from the Board of Public Education to be a member of the Teachers' Retirement System. Previous Executive Secretary's have belonged to the Public Employees' Retirement System but this individual has always been a member of the Teachers' Retirement System in other employment. Mr. Corbin said that he does not object to what was proposed and asked the Executive Secretary for his comments. The Executive Secretary said the language doesn't cover the position, but does cover the qualifications of the individual and if we were to agree to this language, if they were to hire someone without the qualifications, that person would have to belong to PERD, so we would be supporting legislation of a person's qualifications for membership rather than position. The position should determine the membership in the System, not the qualifications of the individual occupying the position. He said that he did not object to the position of Executive Secretary of the Board of Public Education being covered. He added that they are also interested in bringing some other instructional staff in the future. Mr. Burke objected to making special exceptions for individuals who want it to fit their special needs. Mr. Kearns moved that the request be denied. Mr. Burke seconded the motion. Mr. Argenbright said if you deny the option of hiring someone in the education field you are going to cut out some good people. The Chairman then called for a vote and the motion carried by a vote of three for the motion and two opposed.

Chairman Meske then asked if there were any other new business. Mr. Kearns said he had a couple of items from the Board of Investments. He handed out a letter from Jim Penner, Assistant Investment Officer which gave a picture of what he sees happening in the field of investments. The next item was a request from the Department of Commerce to use Board of Investment monies to get involved in venture capital and it could or could not involve retirement funds and maybe the TRS Board wishes to take a position as the Board of Investment knows. There is a growing number of people including the Governor promoting entrepreneurial endeavors and the Board of Investments is one of the leading providers of money. Mr. Kearns said he was not enthusiastic about this and would rather use the coal tax, but this Board may want to take a position on this highly speculative investment. He added that they are looking at about 5-10 million and this is a small amount as compared to the 2 billion dollars the Board of Investments handles. The handout provided by Mr. Kearns illustrated some other teacher systems that are doing this. Mr. Kearns said the second item is that the Board of Investments wants to have five exempt positions that are kind of like department heads and wondered if we would help them in this issue. This would have to be presented to the next legislature. Mr. Corbin said we should support it, if we could get the Executive Secretary and Assistant Executive Secretary's positions exempt. Mr. Argenbright said he would like to see them have the flexibility needed to maintain a staff that would be consistently there and performing up to their standards. Mr. Burke then moved that we support their efforts. Mr. Ryan seconded the motion. Mr. Kearns asked if a letter could be sent to the Board of Investments and that it be a part of the motion. Mr. Burke agreed to the amendment and Mr. Ryan to his second. The motion carried unanimously.

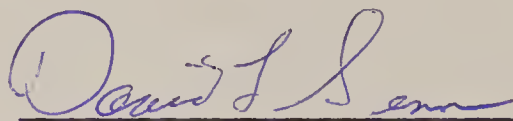
Chairman Meske asked if the Board wanted to take a stand on the venture capital issue and Mr. Ryan moved that we consider it at a future meeting. Mr. Kearns seconded the motion. The motion carried unanimously.

Next order of business was the approval of the regular retirement, survivors and adjustments to retirement benefits. Mr. Burke moved that they all be approved. Mr. Corbin seconded the motion. The motion carried unanimously.

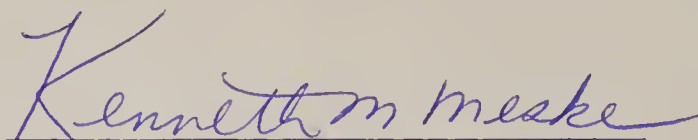
The Executive Secretary said that there were no disability applications to be considered. He said that on the disability applications denied at the last meeting, Henry Neidhardt had returned to work, and Paul Jennings had not tendered any additional information. On Kellogg Lyndes, the Board had asked for additional information from an orthopedist or neurologist. Mr. Lyndes, however, elected to use a rehabilitative specialist who was familiar with his case and after reviewing the information submitted with our attorney, his disability application was approved based on the authority the Board had granted the Executive Secretary at the last meeting. Mr. Burke moved that the action taken by the Executive Secretary on Kellogg Lyndes be approved. Mr. Kearns seconded the motion. The motion passed unanimously.

The next meeting date was scheduled for October 23 at 4:15 p.m. to cover only the items mentioned in today's board meeting. The meeting was then recessed for lunch and then to go into executive session for the purpose of discussing personnel matters.

At 3:00 p.m. the Board adjourned from executive session and the meeting was adjourned on a motion by Mr. Kearns. Mr. Burke seconded the motion and it carried unanimously.



David L. Senn
Executive Secretary



Kenneth M. Meske
TRS Board Chairman

Minutes: Board 2/8

RETIREMENT LISTINGRETIREMENT APPLICATIONS - AUGUST, 1986

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Barker, Nelma Retro to 07-01-86	Mineral	9.00	\$ 139.14	60
Brinkman, Delfred D.	V.R.	24.00	699.01	50
Burt, Oscar J.	M.S.U.	27.03	1,888.70	55
Connors, Rose Marie	Deer Lodge	42.99	1,500.37	65
Cummins, Leo Retro to 07-01-86	U of M	20.77	1,189.60	65
Dodd, Helen Retro to 07-01-86	Silver Bow	26.50	1,126.99	56
Ferguson, Monte Retro to 07-01-86	Fergus	29.03	1,226.79	60
Grosse, Matilda	Cascade	11.75	148.27	59
Herold, Sarah Retro to 07-01-86	Lewis & Clark	25.42	1,164.75	48
Hoepfer, Norma J.	Flathead	25.39	883.10	57
Johnson, Patricia Retro to 07-01-86	Sheridan	25.78	882.38	57
Kersch, George Retro to 07-01-86	Ravalli	5.00	343.18	36
McMahon, Michael Retro to 07-01-86	Deer Lodge	33.00	1,148.30	56
Ryan, Barbara J.	V.R.	17.92	249.40	60
Shadoan, James D. Retro to 07-01-86	Park	21.20	891.09	67
Sharkey, Brian J.	U of M	26.11	1,527.07	49
Stroup, Joan H. Retro to 07-01-86	Silver Bow	31.00	1,302.49	51
Syvrud, Robert S.	Lake	8.00	169.46	51
Tracy, Virginia Retro to 07-01-86	Deer Lodge	30.89	1,193.40	62
Witts, Helen M. Retro to 07-01-86	Flathead	28.22	1,301.13	62

*Dodd, Helen
was a disability*

SURVIVOR APPLICATIONS - AUGUST, 1986

	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Dienstman, Dellan Survivor of Irene Dienstman Retro to 03-01-86	Silver Bow	24.61	347.39	39 62
Ripley, Gloria Survivor of Herrick Ripley Retro to 07-01-86	Big Horn	32.91	1,391.56	55 56

ADJUSTMENTS - AUGUST, 1986

	<u>FROM</u>	<u>TO</u>
Barnett, Margaret Adjustment to reflect use of termination pay. Retro to 07-01-86	\$ 922.38	\$ 970.49
Hanson, Doris L. Adjustment to reflect the use of correct years of service under termination pay Option #II. Retro to 08-01-85	619.76	618.37
Hovin, Arne Adjustment to reflect the use of termination pay. Retro to 07-01-86	341.59	370.13
Micheletti, Alexander Adjustment in benefits to reflect a change from Option E to Option C. Retro to 07-01-86	1,041.27	1,021.82
Peters, Kathleen Adjustment in benefits to reflect the use of correct termination pay. Retro to 07-01-86	336.70	335.42
Rose, Williamina Adjustment to reflect the use of actual service - member unable to complete the purchase of 2 years of out-of-state service. Retro to 07-01-85	404.33	330.81
Scheer, Alfred Adjustment to reflect the use of correct termination pay. Retro to 07-01-86	2,054.76	2,053.59
Sullivan, Gerald Adjustment to reflect the use of correct termination pay. Retro to 07-01-86	1,833.14	1,833.09

TEACHERS' RETIREMENT BOARDSPECIAL MEETING AND LEGISLATIVE MEETINGOCTOBER 23-24, 1986

Chairman Meske called the special meeting to order at 4:20 p.m. in Room 160 of the Mitchell Building.

Those present were:

Kenneth Meske, Chairman
Edward F. Argenbright
James E. Burke
LeRoy Corbin
J. Thomas Ryan
J. William Kearns, Jr.
F. Robert Johnson

The first item of business was discussion of the mission statement adopted at the last meeting and the emphasis the Board wished to place on developing a video presentation. The Executive Secretary said that during the NCTR Conference he had attended a workshop session in which segments of tapes from four states, New York, Louisiana, Michigan and California were shown the workshop participants. The tapes were used to show the various formats that could be used depending upon the message and target group the tape was intended. He said that he had discussed the workshop with James J. McFadden of Manpower Education Institute and he suggested that we secure a copy of the Michigan tape for a possible format and the fact that it was economically done. The Board then directed the Executive Secretary to write for information relative to securing a tape.

It was then moved by Mr. Burke that the Board go into Executive Session for the purpose of discussing personnel matters and interviews of applicants for the position of Executive Secretary. Mr. Kearns seconded the motion and the motion passed unanimously. The Executive Secretary then left the meeting.

At approximately 10:40 a.m., October 24, the Board reconvened the regular meeting. The first item of business discussed was the Board's position on venture capital and Mr. Kearns mentioned that there would be a meeting on the subject in Whitefish, December 6 and 7 and that he felt it would be wise to have a representative from the Teachers' Retirement Board and that the trip be financed from the Minnie Fullam Fund. Mr. Ryan moved that Jim Burke represent the Teachers' Retirement System. The motion was seconded by Mr. Kearns and passed unanimously. Mr. Ryan was named as an alternate in the event Mr. Burke could not attend.

The Board then announced that through the procedure recommended by the Department of Administration, the Board had hired David L. Senn as Executive Secretary. It was recommended that new locks should be installed in the Teachers' Retirement Building.

The next meeting date was discussed and Mr. Corbin moved that the next meeting be held in Helena on December 12, 1986. Mr. Ryan seconded the motion and the motion carried unanimously. Mr. Kearns then moved that the subsequent meeting be held in Butte, March 17, 1987. Mr. Corbin seconded the motion and the motion carried unanimously.

The meeting then adjourned for lunch and was to be resumed at 1:00 p.m. for the legislative meeting with the members related organization.

Those joining the Board at the legislative meeting were James McGarvey of the Montana Federation of Teachers - AFL-CIO, Tom Bilodeau of the Montana Education Association, Larry Weinberg of the University System, Lester Loble, Attorney for TIAA-CREFF, Alve Thomas of the Montana Retired Teachers' Association and Mary Andridge, and F. Robert Johnson. Chairman Meske then reviewed the legislation the Board was considering (copy attached). Mr. Thomas then said that his group was going to propose a COLA and was asking for the Board's support. Mr. Weinberg then handed out some proposed legislation which would give the University employees the option of joining TIAA-CREFF or staying with the Teachers' Retirement System. Tom Bilodeau of the MEA said that they were going to submit a bill to ask for an additional active member on the Board, another bill to lessen the time to purchase additional service, allow purchase of DODDS and Peace Corps service. He added they would also be opposed to any change to eliminate the 30 day membership requirement or any change in the sabbatical leave policy. After some discussion of the meeting Mr. Kearns then moved the meeting be adjourned. Mr. Corbin seconded the motion. The motion passed unanimously.

TEACHERS' RETIREMENT BOARD MEETINGDecember 12, 1986

The meeting was called to order by Chairman Meske at 9:08 a.m. Those in attendance were:

Kenneth Meske, Chairman
James E. Burke, Vice Chairman
Edward F. Argenbright, Ex-Officio OSPI
LeRoy Corbin, Active Teacher
Mary L. Andridge, Assistant Executive Secretary
David L. Senn, Executive Secretary
Beda Lovitt, Chief Legal Counsel
Dianna L. Hultman, Secretary

Chairman Meske noted that Dave Evanson of the Department of Higher Education was present and introductions were made.

Approval of the board minutes for the meetings of September 25 and October 23-24, 1986 was the first item of business. Mr. Burke moved that the minutes be approved as read. Mr. Corbin seconded the motion. The motion passed unanimously.

The budget report and investment report were considered next. The Executive Secretary spoke to the budget status report. Contracted services is one area where we have a large expenditure in regards to data processing. He reported the anticipation of expenditures in the data processing area which is based on the best guess that the Department of Administration could provide through their System Development Bureau. He reported it is likely we will be overexpending this area considerably. We will be asking the legislature through budget amendment for the money to pay off Robert Johnson's termination pay. The bottom line is around \$15,000. The Executive Secretary reported that if the legislature does not see to approve the budget amendment then it will be necessary to reassess our anticipated expenditures and make reductions in other areas. Mr. Argenbright requested clarification between the Computer Processing Production and the Information System Development (ISD) which was clarified for the board. Mr. Argenbright asked if there was anyway to reduce computer production costs and the Executive Secretary reported that they will review this area. Mr. Corbin wanted to know what was done on the Summary of Administrative Expenses for the \$2,100.00 repairs and maintenance. The staff could not respond to Mr. Corbin's question specifically. Mr. Corbin stated upon his review of the Consolidated Statement of Revenue and Expenses, he noticed there was an approximate 5% decrease in contributions and is wondering if TRS has lost that much membership. The Assistant Executive Secretary commented that there are schools closing and that membership is dropping. Mr. Argenbright stated that statewide student enrollment is down slightly. The Assistant Executive Secretary then gave a status report on mortgages, three or more months delinquent. Mr. Tom Ryan entered the meeting. Mr. Corbin moved that the budget report and

investment reports be approved. The motion was seconded by Mr. Burke. The motion passed unanimously.

Mr. Burke reported on a meeting he attended regarding Venture Capital. Mr. Burke suggested having Neil Moldenhauer come and visit with the Board on Venture Capital. He reported that the majority of this kind of investing the money is going out-of-state. Mr. Corbin commented that he would like to see this kind of investing stay within Montana. The Board directed The Executive Secretary to check with other states to see what experience people have had with this type of investment. The Board requested knowledge of how much capital is going into basic industry versus service industry.

The Executive Secretary's Report was then reviewed and Chairman Meske asked for the Executive Secretary's comments. The Executive Secretary reported that the Division had been given a perfect Audit Report. The Board was very pleased with the report.

The Executive Secretary went on to report on the optional retirement plan (TIAA-CREFF) the university system is considering. He stated the university feels this is a plan that will help them in recruiting by being able to offer something that is more portable. TIAA-CREFF is an insurance company that is offering a retirement plan which is a defined contribution plan. The Executive Secretary reported that the first draft of the proposed legislation did not provide for contribution to the Teachers' Retirement System. It now reads that about 4½% will be coming back to the Teachers' Retirement System. The Executive Secretary referred to the memorandum from Alton Hendrickson in which he states that this legislation would require funding of 5.8%. A discussion pursued regarding this legislation. Mr. Burke moved that the Teachers' Retirement Board would not oppose the proposed legislation creating optional retirement as long as the legislation is properly funded at 5.8%. Mr. Corbin seconded. The motion carried, (vote: Yes-Burke, Corbin, Ryan; No-Argenbright). Dave Evensen exited the meeting at this time.

The Executive Secretary reported that American Express cards are available through the State of Montana for Board Members, however, they can only be used for state associated business and there is no annual fee. The Assistant Executive Secretary pointed out, however, that the individual is solely responsible for the card not the state of Montana. It was also reported that this was being done to eliminate travel advances.

The Executive Secretary explained that he had been asked to research the Minnie Fullum Fund and, therefore, the Board had received, for their information, a copy of a letter from Bud Morris, past Executive Secretary explaining the purpose of the fund.

The Executive Secretary reported that he and the Assistant Executive Secretary traveled to Libby this week and spoke to 21 teachers on Wednesday on an individual basis. They also held a

general session where the Assistant Executive Secretary spoke to approximately 30 people. The Executive Secretary reported that one of the things that concerned him was that teachers were including termination pay in their contracts for that last year to avoid paying the higher contribution rate due on termination pay when they elect Option I. A discussion pursued regarding ways to deal with this item. The Executive Secretary reported that New York State has a law whereby it allows you to recoup only 12% of the last two years average increase. Mr. Burke moved to consider a 10% cap on the last years salary increases. Mr. Corbin seconded. The motion carried unanimously.

Chairman Meske indicated that the next item of business was Old Business, 1987-89 Budget. The Assistant Executive Secretary reported on the changes to the budget since the review by the Office of Budget and Program Planning, which had taken place since the Board had approved them at an earlier meeting.

Chairman Meske said the next order of business was Legislation. The Executive Secretary reported on bills related to IRS requirements for qualified plans and on the proposed legislation that has been drafted for Teachers' Retirement Board.

1. A bill to allow Teachers' Retirement System to withhold group insurance premiums from the retirement benefits with an effective date of July 1, 1987.
2. An act to amend the qualifications of the actuary designated by the Teachers' Retirement Board.
3. Allow a member to purchase creditable service for time lost due to an employment related injury which entitles him/her to work with compensation payments.

The board discussed that language be inserted in this bill to indicate teacher contract related accident.

4. An act to clarify that such positions as school nurses, speech therapists and school psychologists are eligible for membership.

Mr. Ryan requested the board go back to discuss number 3 further. Mr. Ryan moved to have the employer pay the employee contribution if employee is only receiving workers' compensation benefits. Following further discussion this motion died for the lack of a second.

5. An act to delete and clarify references to medical board in the Teachers Retirement Act.

The Executive Secretary reported on legislation that may be presented by others.

1. Allow the MHSA administrators to become members of the Teachers' Retirement System.

2. Proposals to fund health insurance for retired public employees.
3. Cost of living adjustment for retired teachers.
4. Allow university employees the option of joining Teachers' Retirement System or another plan, such as TIAA-CREFF.
5. Add another active member to the Teachers' Retirement Board.

Mr. Burke commented that we should not oppose this legislation but the committee should be told it is not necessary. Mr. Ryan moved that if this comes up as a bill we use Jim's rationale informing the committee that it isn't an absolute necessity this happen to protect the interest of the employed educator. Mr. Burke seconded and the motion carried.

6. Lessen the time to purchase additional service and allow purchase of DODDS and Peace Corps service.

A discussion pursued regarding the unfunded liability this kind of legislation would cause. Mr. Ryan moved that the only way we would support this legislation is if a funding adjustment were made to cover the unfunded liability. Mr. Argenbright seconded and the motion carried.

A discussion ensued regarding the timing of purchasing additional service. Mr. Ryan moved to leave the portion with regards to the time to purchase additional leave at five years as it is presently. Mr. Burke seconded and the motion carried.

The Board disseminated for lunch at 12:20 p.m. and reconvened at 1:35 p.m. with further legislative matters. The Executive Secretary reported on three bills that are on the bill drafting request report. (1) Wheel Tax to fund Teachers Retirement. The Executive Secretary went on to report that he had not been able to reach the legislator that had requested the bill be drafted. As he understands the Wheel tax and a bill for equalization of Teachers Retirement by a statewide mill levy are bills to fund what is referred to as Teachers Retirement. However, they define Teachers Retirement as Workers Comp, Social Security, PERS and the Teachers' Retirement System. Anything that is paid by a school district is what they are referring to as Teachers Retirement. (2) Consolidated Retirement System which was requested by Representative Sales. This is only the systems that are administered by the Public Employees Retirement Division. (3) PERS Retirement after 25 years. This is the same bill that MPEA has requested in the past.

The Board then went to the next item on the agenda, that being Administrative Rules. The Executive Secretary reported that he looked at two issues that the board had asked to be drafted or studied. The sabbatical leave rule deals with two issues, (1) individual taking sabbatical leave within their last three years, the benefits are reduced since the salary is smaller and (2) individual taking sabbatical leave and retiring several years later have one year full credit on the reduced salary. He


reported he wasn't sure were the equity lies with this issue. The Executive Secretary's recommendation is to review the entire rule process and give him an opportunity to come back to the board with a complete package. The Executive Secretary went on to report on the second rule regarding Teaching and Research Assistants. He reported that he didn't feel a rule was needed since it becomes necessary to define the duties for each individual because research assistants do not exist in Montana. The Board agreed to accept the Executive Secretary recommendations on the above.

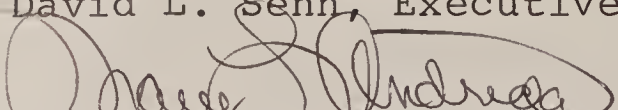
The board went back to the Legislation agenda item for further consideration of the workers compensation proposed legislation. The board reviewed the individual case that originally lead to the recommendation for the proposed legislation. Mr. Burke moved that we present the bill as written. Mr. Argenbright requested the motion be amended to include a school district related employment. Mr. Burke agreed to the amendment and Mr. Argenbright seconded the motion. The vote was: Yes - Mr. Argenbright, Mr. Burke. No - Mr. Corbin and Mr. Ryan. With Chairman Meske voting yes, the motion carried.

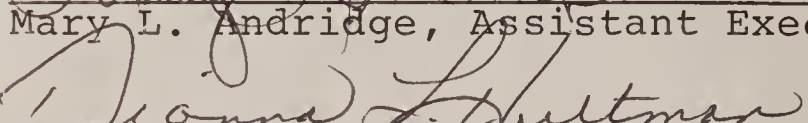
Chairman Meske said the next item on the agenda is the School District 2 in Yellowstone. The Executive Secretary reviewed the position the board had taken on this item previously and Chief Legal Counsel reported as to the legal standing if the board decided to sue. The Chief Legal Counsel reported that the School District is willing to pay the employers contribution plus the interest. The Assistant Executive Secretary reported that the Teachers' Retirement System was not aware these teachers were employees of School District 2 because they were told this was a federal contract for Head Start. Mr. Ryan stated if this was a federal contract then we should be able to go back to the school district and have them request the monies from the federal government for these contributions as it should have been included in their contract. Mr. Burke moved to write a letter and suggest they pursue the rest of the federal channels. Mr. Ryan seconded and the motion carried.

Chairman Meske asked if there was any other old business and there not being any went on to the first new business item which was the 1986 Tax Reform Act. The Executive Secretary reported on what information he had relative to the 1986 Tax Reform Act and the board deferred any further reports until IRS has come out with their publication regarding this subject.

Chairman Meske asked for any other new business. The Executive Secretary requested the board authorize signatures to sign claims. He reported that Robert Johnson (Executive Secretary), Mary L. Andridge (Assistant Executive Secretary) and Denise Blankenship (Secretary) were those approved before. The Executive Secretary recommended the following be authorized: David L. Senn, Mary L. Andridge, and Dianna L. Hultman. Mr. Argenbright moved to adopt the Executive Secretary recommendation. Mr. Burke seconded and the motion carried. The authorized signatures are as follows:

293

David L. Senn, Executive Secretary


Mary L. Andridge, Assistant Executive Secretary


Dianna L. Hultman, Secretary III

Other new business was the parking lot, which was stated to really be old business. Unauthorized persons are parking in the Teachers' Retirement System parking lot. The Executive Secretary was directed to call and request unauthorized persons to not park in the Teachers' Retirement System designated parking areas.

The next item of business was the regular retirements, survivor benefits and adjustments to previously approved benefits. Mr. Burke moved for approval and the motion was seconded by Mr. Ryan. The motion passed unanimously.

The first disability application was that of Paul Jennings. After some discussion, Mr. Ryan moved the disability be approved. Mr. Corbin seconded the motion. The motion passed unanimously.

The application of Henry Neidhardt was next considered and upon review Mr. Corbin moved the disability be approved. Mr. Ryan seconded the motion and the motion carried unanimously.

The third application was from David Roos. Mr. Corbin moved the disability be approved and Mr. Ryan seconded the motion. The motion passed unanimously.

The disability application for Katherine Shafer was reviewed. Mr. Burke moved that the application be approved. Mr. Corbin seconded the motion. The motion passed unanimously.

The application for Joan Stroup was next reviewed. Mr. Corbin moved for acceptance. Mr. Burke seconded the motion and it was approved unanimously.

The application for Dolores Stenersen was next considered. Mr. Burke moved that the disability be approved. Mr. Corbin seconded the motion. The motion passed unanimously.

The Board then set the next meeting date for March 16, 1987 in Butte, Montana.

Chairman Meske commended David Senn, Executive Secretary, for his first meeting.

There being no further business, Mr. Ryan moved that the meeting be adjourned. Mr. Corbin seconded the motion and it carried unanimously.

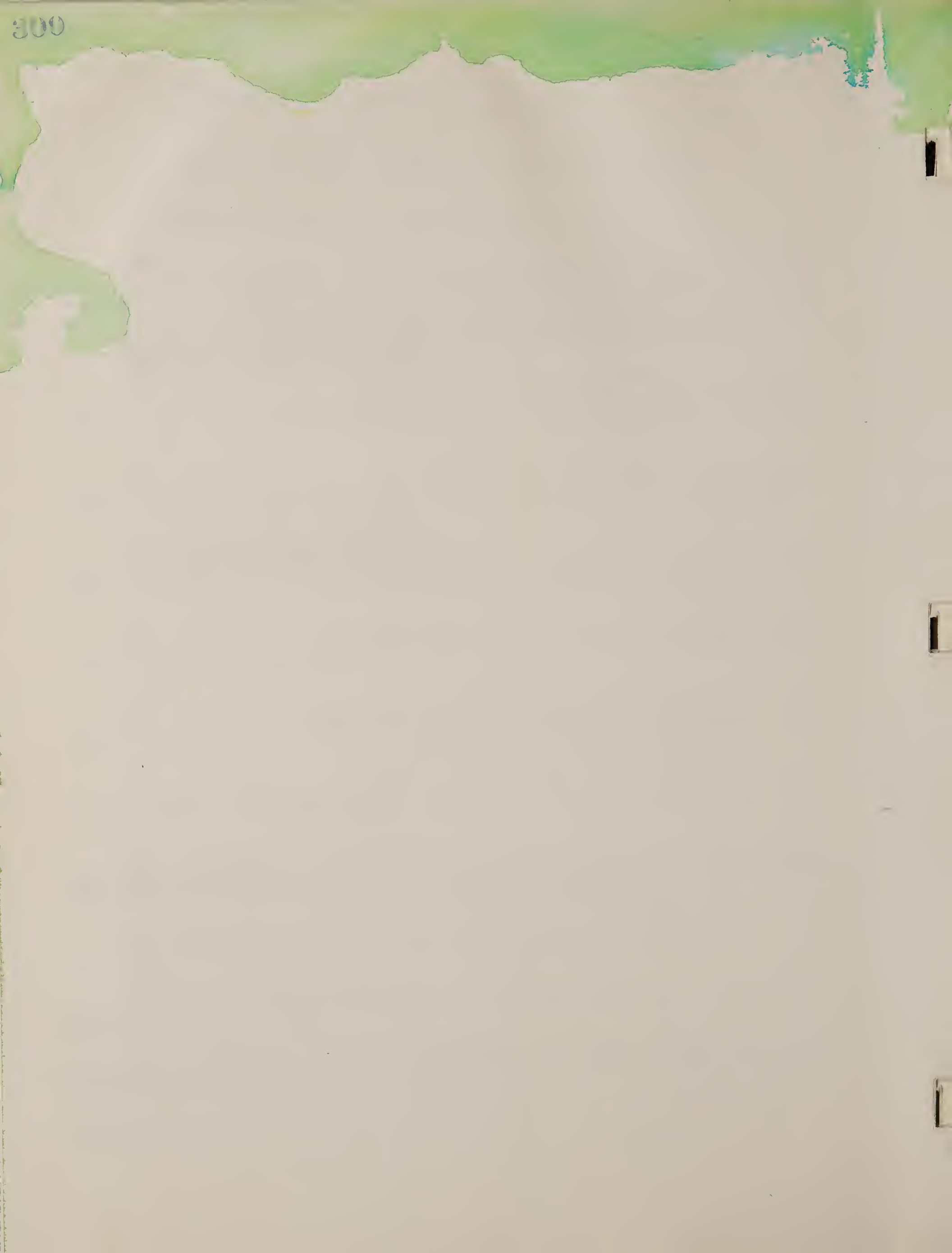
MINUTES: Board 1/6

Kenneth M Meske

Kenneth M. Meske, Chairman

David L Senn

David L. Senn
Executive Secretary



EXECUTIVE SECRETARY'S REPORT

December 15, 1986

The audit report for the period ending June 30, 1986 will be heard by the Legislative Audit Committee December 8, 1986, at 1:15 p.m. in Room 104 of the Capitol Building. I and the Assistant Executive Secretary will be attending, all board members are welcome to attend.

The University System is continuing their efforts to have an optional retirement plan. On December 12th and 13th, I attended meetings at the Commissioner's office of Higher Education and at MSU where proposal offered by TIAA-CREF were discussed. Both the Commissioner's Office of Higher Education and MSU faculty council had unanimously endorsed the concept and legislation has been drafted. Under the proposal it has been estimated by TIAA-CREF, that 15% of the current members would opt for TIAA-CREF and that 80% of all new hires would choose TIAA-CREF. I have requested the actuary cost this proposal and hopefully it will be ready in time for the board meeting. Enclosed are copies of the proposal and draft legislation.

American Express cards are now available to all state employees and board members without the usual annual fee. The card may be used only for business related expenses and not personal use. So, if people still do not know who you are, get your American Express card today!

Mini Fullam fund. In my review of past board minutes, I've noticed the Mini Fullam fund has been discussed many times. The fund has been used for many purposes from purchasing office fixtures, draperies and travel. I have looked through the file on the Mini Fullam fund and found a letter written March 8, 1977, by Owen L. Morris, Jr., Executive Secretary. In this memo he quotes from the will of Mini Fullam and as you can see it is spelled out this fund is to be used at the descretion of the Teachers' Retirement Board. However, it is suggested that it be applied to the cost of the construction of a home for retired Montana Teachers; otherwise for the use and benefit of retired Montana teachers. Also in this memo he discusses the various uses that have been suggested for this fund. I hope the Board Members find this memo informative.

1. The first part of the paper discusses the importance of the study and the objectives of the research. It also mentions the scope of the study and the limitations.

2. The second part of the paper describes the methodology used in the study. It includes the data collection methods, the sample size, and the statistical analysis techniques.

3. The third part of the paper presents the results of the study. It includes the findings of the research and the conclusions drawn from the data.

4. The fourth part of the paper discusses the implications of the study and the recommendations for future research. It also mentions the contributions of the study to the field of research.

RETIREMENT LISTING

RETIREMENT APPLICATIONS - SEPTEMBER 1986

	<u>EFFECTIVE DATE</u>	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Anacker, Ed W.	07-01-86	M.S.U.	38.92	\$2,197.37	65
Bantz, Geraldine	07-01-86	Sheridan	32.00	959.41	56
Behan, Mark J.	09-01-86	U of M	30.86	2,045.52	55
Board, John C.	06-01-86	V.R.	22.00	522.40	50
Bronson, Lorraine	07-01-86	Cascade	13.82	452.72	62
Brooks, Ruth M.	02-01-83	V.R.	5.00	50.00	60
Foreman, Russell J.	09-01-86	E.M.C.	34.06	1,079.61	56
Hagener, Louis W.	09-01-86	N.M.C.	40.22	1,596.88	63
Hanson, Harold W.G.	08-01-86	V.R.	19.92	359.72	60
Jacobson, Charlotte	07-01-86	Stillwater	31.11	950.61	64
^{Rodlin} din, Anita J.	08-01-86	Silver Bow	9.00	192.61	50
^{Trimmer} Trimmer, Frederick D.	07-01-84	V.R.	10.83	305.19	53
Van Woert, Robert A.	09-01-86	M.S.U.	22.64	614.97	54
Varnum, John P.	09-01-86	N.M.C.	30.22	1,240.91	53
Warner-Combs, Walter	07-01-86	Stillwater	23.92	768.50	54
Williams, Eleanor E.	07-01-83	V.R.	30.00	687.16	61
Wright, Dorothy S.	07-01-86	Missoula	25.00	933.26	63

ADJUSTMENTS - SEPTEMBER 1986

	<u>RETRO TO</u>	<u>FROM</u>	<u>TO</u>
Burt, Oscar R. Adjustment to reflect the use of termination pay.	08-01-86	\$1,888.70	\$2,132.21
^{Garry} Garry, John C. Adjustment to reflect the use of termination pay.	07-01-86	1,713.60	1,858.75
Rice, Jr., George E. Adjustment to reflect the use of additional termination pay.	07-01-86	1,680.28	1,707.74

ADJUSTMENTS - SEPTEMBER 1986 (CONTINUED)

	<u>RETRO TO</u>	<u>FROM</u>	<u>TO</u>
<div>■ <i>Tambre</i> Tambre, Ruth</div> <div>Adjustment to reflect the use of termination pay.</div>	07-01-86	1,181.58	1,191.12

RETIREMENT APPLICATIONS - OCTOBER 1986

	<u>EFFECTIVE DATE</u>	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Anderson, P. Lynette	10-01-86	Yellowstone	25.22	1,623.49	51
Bowlen, Bernard J.	10-01-86	U of M	20.44	1,449.63	65
Brown, Jr., Firman H.	10-01-86	V.R.	18.64	321.37	60
Chilcote, Elaine P.	10-01-86	Missoula	15.63	310.34	50
Doty, Jack H.	10-01-86	V.R.	18.11	313.37	55
Felzien, Charlotte	09-01-85	V.R.	12.67	154.04	60
Felzien, Irvin	05-01-85	Ravalli	10.67	127.09	60
<div>■ <i>Grauman</i> Grauman, Dorothy</div>	08-01-86	Madison	5.83	118.42	60
Nesbitt, Oretha W.	10-01-86	Roosevelt	14.17	419.83	63
Shannon, Joan M.	07-01-86	Silver Bow	17.00	304.14	55

ADJUSTMENTS - OCTOBER 1986

	<u>RETRO TO</u>	<u>FROM</u>	<u>TO</u>
Foot, Gladys L. Adjustment to reflect change of option (Beneficiary Deceased).	09-01-86	208.04	128.26

RETIREMENT APPLICATIONS - NOVEMBER 1986

	<u>EFFECTIVE DATE</u>	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Clague, Claudia A.	11-01-86	Silver Bow	24.56	1,315.05	52
<div>■ <i>Field</i> Field, Richard N.</div>	11-01-86	Cascade	25.00	1,165.85	49
<div>■ <i>Funk</i> Funk, Robert W.</div>	10-01-86	U of M	20.33	1,415.66	60
Johnson, Don W.	07-01-83	V.R.	20.00	213.06	50
Johnson, Elizabeth A.	07-01-83	V.R.	24.00	281.50	52

RETIREMENT APPLICATIONS - NOVEMBER 1986 (CONTINUED)

	<u>EFFECTIVE DATE</u>	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Tierney, Henry Lee	11-01-86	Silver Bow	27.60	1,653.02	52

SURVIVOR APPLICATIONS - NOVEMBER, 1986

	<u>EFFECTIVE DATE</u>	<u>COUNTY</u>	<u>SERVICE</u>	<u>AMOUNT</u>	<u>AGE</u>
Ackerman, Doris	11-01-86	Dawson	27.00	\$ 950.97	55
Survivor of Theodore Ackerman					57



98-721 OUTFIT, MAROON
98-731 COVER, MAROON
98-771 CORP. RECORD, MAROON
98-725 OUTFIT, BLACK
98-735 COVER, BLACK
Made in U. S. A.

